Organizational Culture Drives Ethical Behaviour: 
Evidence From Pilot Studies

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Abstract
Regulators around the world are increasingly focusing on organizational culture to help them curb corruption in companies. After the Global Financial Crisis in particular, the financial services sector regulators, both in the UK and the US, have encouraged financial institutions to report on how they manage the culture in their organizations, and to determine ways that culture impacts desired behaviors at the firm. In the U.K., the sector has created a Banking Standards Board that conducts culture assessments at member companies. In the U.S., FINRA, the broker-dealer regulatory organization, requires that companies report on culture, and the NY Fed, and the OCC emphasize the role that culture plays in regulating behavior and conduct and their expectation that firms actively manage their culture, and require reporting in some cases.

In 2016 and 2017, a team of researchers collaborating with Ethical Systems, a research collaboration housed at the NYU-Stern School of Business, came together to determine the appropriate constructs for what constitutes ethical culture. The results of that work are described in this paper, including the development of a data-driven framework for ethical culture in organizations.
The framework is an analog to Herzberg’s two-factor theory, which is a simple model that describes the positive and negative continuums on which individuals express workplace attitudes. Applied to ethical culture, the research shows that there are both positive aspects of an ethical culture (Qualifiers) and negative aspects (Disqualifiers). The paper will define and explain each of the components in the framework and their relative importance to the outcomes measured. It will recommend that for organizations that wish to reduce corporate corruption, they seek to increase the qualifying factors in their organizational culture, and decrease the disqualifying factors. The Disqualifiers are components of culture that an organization must first work to minimize in their culture, as their existence is likely to increase unethical behavior. The Qualifying factors are those elements that an organization should work to improve to establish the ethical assets and foundation for behavior.

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1. Introduction

Regulators in the United States and the United Kingdom are increasingly focusing on corporate culture as a mechanism through which corruption can be reduced. In particular, after the Global Financial Crisis the financial services sector regulators have encouraged financial institutions to more actively manage the culture of their organizations and its impact on employee conduct and behavior.

In the U.S., several financial service regulators have promoted culture as a regulatory imperative. The Financial Industry Regulatory Authority (FINRA), which serves as the broker-dealer regulatory organization, required in their 2016 regulatory and examination priorities letter that companies report on various metrics relating to their culture. FINRA asked companies to consider how the firm’s culture relates to their risk management and compliance practices, with an emphasis on avoiding conflicts of interest and ensuring ethical treatment of customers. Similarly, the Office of the Comptroller of the Currency (OCC) has mandated that bank executives and directors integrate oversight of the culture of the firm into their ongoing oversight duties. According to the 2016 OCC Comptroller’s Handbook, it is the duty of the senior leaders to “promote a sound corporate culture.” The Federal Reserve Bank of New York has also elevated the role of culture in its supervisory agenda through public speeches by senior leaders as well as a series of practitioner-oriented and research conferences and publications on the topic. Recognizing the role that culture plays in shaping behavior and conduct at supervised banks, they have thus encouraged firms to begin to integrate behavior and conduct risk into their risk management practices.

Beyond the financial services sector, since 2004 the U.S. Sentencing Commission has officially recognized the role of organizational culture in creating ethical conduct. The Federal Sentencing Guidelines for Organizations, the governing document that establishes the elements of an effective compliance and ethics program for organizations who face prosecution and potential punishment, specifically states that the objective of such program is to “promote an organizational culture that encourages ethical conduct and a commitment to compliance with the law.”

In the U.K., the financial services regulators as well as Parliament have similarly elevated the role of culture in shaping behavior at firms. The Financial Conduct Authority (FCA), the non-governmental conduct regulator for financial services firms, included culture reform in financial services as one of its strategic objectives in its 2015-2016 Business Plan. They highlighted that poor culture and internal controls at firms creates a risk to market integrity and efficiency, and that improvements in corporate culture are necessary to restore trust to the banking sector. The FCA also instituted the Senior Managers Regime, whose aim is to change corporate culture through improved accountability systems and structures for managers who should be held responsible for overseeing conduct.
One response from the banking sector in that country has included the creation of the Banking Standards Board (BSB), which is an industry-led body that promotes high standards of behavior across the U.K. banking industry, in order to help restore public trust in the sector. One of the tools they use to further this goal is to conduct culture assessments at firms, through both surveys, interviews and focus groups. The BSB assessments of organizational culture at the firms have enabled, among other benefits, better understanding of the apparent mismatch between values espoused by firms and the perceptions by some of their own employees on how business is actually done. This lack of alignment in shared values provides opportunity for misbehavior and corruption.

Culture measurement is a key tool to better understanding the drivers of behavior in firms. For assessments, including surveys, to be effective, the effort must be supported by senior management, even if it may uncover some uncomfortable truths about the firm. Addressing the reality of culture is necessary when combating the risk of corruption and misbehavior (Trevino, Haidt, & Filabi, 2018). Also, executives often have a more optimistic view of organizational culture than the middle-level or junior employees (Trevino, Weaver, & Brown, 2008). Assessments are therefore critical to developing a deeper understanding of the firm from multiple perspectives.

In any organization, culture is a complex and multi-system framework that must be aligned to encourage ethical behavior (Trevino & Nelson, 2018). The systems can be thought of as both the formal and informal elements of an organization. The formal elements include the official communications of executives, the internal policies and codes of conduct, training programs, employee selection systems (hiring, firing) as well as systems for managing performance and goal-setting. The informal systems include norms of daily behavior, rituals that help members understand the organization’s identity and its values, the myths and stories people tell about the organization, and the language people use in daily behavior.

Thus, culture is a complex phenomenon that both drives employee behavior (through formal systems) and emerges through mindsets and behaviors of employees (by learning and emulating others). The following research summary provides a framework of ethical culture in an organization, focusing in particular on the norm of behaviors at the firm. The goal is to enable regulators and companies to fully integrate and appreciate the impact of behavioral norms on the risk of misconduct. Companies should survey their employees on each of the culture constructs described below to gain a better understanding of where there may be ethics risk.

2. Research process
In 2016 and 2017, a team of researchers collaborating with Ethical Systems, a research collaboration housed at the NYU-Stern School of Business, convened to determine the appropriate constructs for what constitutes ethical culture. The project consisted of two phases: 1) the team first determined which are the most important constructs and outcomes to be assessed at an organization, and then
created a survey-based culture assessment that draws from the existing academic literature and; 2) the team then collected data on the initial survey measures through pilot studies in two companies, as well as through company-agnostic online surveys (where respondents indicated which types of companies they worked for, but did not disclose the name or other details). The data from these studies has been used to develop a framework for ethical culture in organizations, which we describe in this paper.

The team of researchers who comprised the Ethical Systems culture working group are social scientists who have each studied certain components of ethical culture⁶.

In the first phase, the working group conceptualized the relevant constructs of ethical organizational culture (e.g., fairness, trust, etc.). They then reviewed the academic literature to collect corresponding measures (i.e., survey items). Validated survey measures did not yet exist in the literature for every component that the team wished to measure. A literature review and summary of the existing measures in the academic literature is beyond the scope of this paper, but can be found in Treviño, Haidt, & Filabi (forthcoming, 2018).

Based on this initial research, the group then designed a survey for pilot testing that drew from these measures, and also included additional measures for constructs they wished to validate. The survey was designed to assess the ethical culture of an organization, specifically attempting to uncover the mindsets and behaviors. As such, respondents were asked about various components of ethical culture including their observations of misbehavior in the workplace (e.g., stealing from the company, violating the Code of Conduct, etc.). The data collected comprised of 1,358 respondents. All respondents first completed general demographic information (gender, seniority in the company, tenure), including their geographic location and function in the organization. Next, respondents completed the pool of culture survey items developed in phase one. The order of assessment for the constructs was randomized, as were the order of items for each individual construct.

The data was then analyzed for reliability of each of the individual constructs, and composite scores were created for those constructs that were assessed with multiple items. The researchers used linear regression to assess the predictive utility of each culture construct on each outcomes (described below).

3. The components of ethical culture.

This framework describes ten areas of measurement for any organization that wishes to understand whether they have an ethical culture. These ten areas are organized in a Two-Factor Model of Ethical Culture. The two-factor model is an analog to Herzberg’s two-factor theory of job satisfaction. According to Herzberg, there are two sets of components that affect employee satisfaction: “Hygiene” factors (e.g., job security, pay, etc.) and Motivators (e.g., meaningful work, recognition, etc.). The absence of hygiene factors in the workplace creates employee dissatisfaction and turnover; in contrast,
the presence of motivators leads to highly engaged employees who wish to further the company goals. (Herzberg, 1959).

Herzberg’s theory is that organizational leaders should first address the extrinsic, hygiene factors of workplace conditions that lead to dissatisfaction before tackling the motivators.

The Two-Factor Model of Ethical Culture is similarly comprised of both positive aspects (Qualifiers) and negative, hygiene factors (Disqualifiers). The disqualifying factors are those that, when present in an organization, are likely to increase unethical behavior, and the qualifying factors are those that motivate employees towards ethical behavior. The Disqualifiers can also be thought of as minimum requirements. They represent the ethical debt companies must pay off in order to create the foundations for a strong ethical focus. In contrast, the Qualifiers embody the active investments organizations need to make to build ethical assets upon those foundations.

Each of these factors is measured by survey questions that can help organizations assess their own culture (or be used by a trusted third-party to conduct the assessment at their firm). The validity of the items as indicators of ethical culture was determined by their correlation to the following outcomes: 1) observations of misconduct in the workplace; 2) ethical decision-making; and 3) employee commitment to the organization. Each of these outcomes adds value to the goals of an organization. Ethical decision-making is a critical outcome because it is a key antecedent to ethical behavior. Employee commitment is a precursor to employee engagement and loyalty, and thus reduced employee turnover. And finally, observations of misconduct provide evidence of corruption and unethical behavior.

The ten areas of measurement tap into five key dimensions of culture, which are 1) social contract, 2) leadership behavior, 3) organizational ethos, 4) individual perceptiveness, and 5) employee response to observed misconduct. Because the measures across these dimensions were found through the pilot studies to successfully predict observations of unethical behavior, as well as the other outcomes described above, they are uniquely relevant to the objective of measuring ethical culture.

Figure 1 describes the ten areas of measurement, which can impact a company’s focus on ethics in profound ways. Organizational leaders and other employees must balance both the positive and negative elements of their culture in the complex interplay of their daily formal and informal systems. Five areas on the left of Figure 1 (the Disqualifiers) capture the prerequisites business needs to meet to develop a strong ethical orientation. Companies that score high on these five areas present foundational weaknesses that should be addressed thoroughly and before any other type of culture work is started.
The other five areas on the right of Figure 1 (the Qualifiers) denote qualities and dynamics consistent with a robust ethical orientation. We call them Qualifiers because the higher a company scores on them, the stronger its ethical focus.

![Figure 1. A Two-Factor Model of Ethical Culture.](image)

The outcomes listed in the middle of Figure 1 represent the organization’s goals (improved ethical behavior, improved ethical decision-making, and increased employee commitment), which are influenced by the opposing forces of the negative and positive elements of culture. These positive outcomes are likely to be observed when a company scores low on the Disqualifiers and high on the Qualifiers.

Figure 1 highlights not only the dimensions that define an organization’s focus on ethics, but also the important dynamics for understanding the types of gut checks employees make to decide if the culture in which they work is ethical or not. According to ethical intuitionism, people use basic moral modules (e.g., fairness, care, loyalty) to determine if something is ethical (Graham et al., 2012). Experiencing unfairness, abusive manager behavior, a selfish attitude, and/or retaliation will likely fail employees’ elementary expectations about ethical conduct, leading them to conclude that their organization’s culture is unethical. This, in turn, may have an impact on their level of moral engagement. In contrast, experiencing trust, ethical leadership, a caring attitude, and empathy will be consistent with expectations of ethical conduct, helping employees view their organization as being ethical. A review of the five dimensions follows below.

### 3.1 Social contract
Social contract refers to a set of shared perceptions about how the organization relates to people and people relate to each other. If employees are treated unfairly or observe the organization applying standards and policies in a way that shows preferential treatment, they’ll likely experience organizational injustice and some level of dishonesty/hypocrisy. In contrast, if employees experience trust (the Qualifier in this category), the prevailing perception will be that the organization and its members will not harm each other. Tan and Tan (2000), for example, defined trust as “an employee’s feeling of confidence that the organization will perform actions that are beneficial, or at least not detrimental, to him or her.” That is, a social contract based on trust will likely strengthen the organization’s ethical focus by reinforcing the perception of a shared code of conduct.

3.2 Leadership behavior
This component captures the influence of leadership and management on the organization’s ethics. Do leaders engage in behavior that strengthens or weakens a company’s ethical orientation? This is a fundamental question as, traditionally, leadership has been associated with the ability to influence and motivate others (e.g., House, 1994; Mosley, Pietri, and Megginson, 1996). Moreover, leadership can have a profound impact on how the organization’s culture changes and evolves over time (Schein, 1992; Avolio & Avolio, 1993).

3.3 Organizational ethos
The organization ethos refers to deep-rooted beliefs that organizational members hold about themselves and others. This dimension overlaps with Arnaud’s and Schminke’s notion of ethical climate (2012), encompassing basic assumptions about behavior (e.g., selfish vs. benevolent). Ethos runs deeper than what people perceive on the level of daily experiences and other transient factors. Selfish versus benevolent assumptions can affect how employees process information and respond to others. They can impact the priorities people set. And they can influence the way employees frame ethical dilemmas, use resources, and engage with each other.

3.4 Individual perceptiveness
Each individual brings a level of insight to bear upon ethical challenges. This is their individual perceptiveness. Awareness of ethical issues is a necessary precondition of ethical decision-making. Butterfield, Treviño, and Weaver (2000) defined moral awareness as “a person’s recognition that his or her potential decision or action could affect the interests, welfare, or expectations of the self or others in a fashion that may conflict with one or more ethical standards.” Lack of awareness is not only detrimental to one’s ability to make ethical decisions, but also indicative of an immature culture. In contrast, empathy (the Qualifier in this category) underscores emotional and/or cognitive perspective-taking (McDonald & Messinger 2011), foretelling a more thoughtful and mindful response to ethical challenges.

3.5 Response to misconduct
The response to misconduct is an area that highlights how people react when they observe unethical behavior. Because this dimension is immediately relevant to ethical outcomes, it can be viewed as an acid test of a company’s ethical focus. Do people fear retaliation? Do they feel a sense of agency over ethical outcomes? Do they speak up if they observe misconduct? A culture grounded in ethics presupposes that employees perceive a certain level of control over ethical outcomes, and that there exist resources that can help them take action against unethical occurrences. In contrast, if people fear retaliation, the organizational culture will probably lack key ethical components (Mayer, Nurmohamed, Treviño, Shapiro, & Schminke, 2013), making it all the more difficult for employees to report misconduct and actively contribute to a strong ethical focus.

Each of the five areas of measurement is characterized by culture constructs that serve as either a Disqualifier or a Qualifier for the overall ethical culture. A company’s standing across the five areas must be understood in relation to both the Qualifiers and the Disqualifiers. When assessing organizational culture, companies must consider two critical questions: 1) Does the company meet the minimum requirement in each area?; and 2) If it does, how effectively is the company building ethical assets across the five dimensions of ethical culture?

The remaining sections of the paper provide a discussion of the psychological and behavioral underpinnings of each of the Disqualifiers and Qualifiers that comprise these five areas of measurement.

4. The Disqualifiers: Meeting Minimum Requirements

The Disqualifiers provide a blueprint for the dynamics and practices a company needs to avert in order to set the right foundations, and imprint the organization with a strong ethical orientation. They represent the “don’ts” companies must avoid if they wish to foster an ethical culture. Organizations should minimize all five Disqualifiers because each of them is at odds with basic moral expectations. Not only will companies that score high on the Disqualifiers be viewed as having weak business ethics, but they will also lack the foundations on which strong ethical practices are built. In other words, even if a company rates highly on the Qualifiers, the Disqualifiers can serve to cancel out those positive factors. We now define and describe each of the Disqualifiers in turn.

4.1 Organizational Unfairness

Research indicates that employees are likely to pay attention to how the organization distributes outcomes and resources, as well as to how organizational processes and policies are implemented (Lind & Tyler, 1988).\textsuperscript{13} Distributive and procedural unfairness can cripple a company’s attempt to build a strong ethical culture for a variety of reasons. For example, justice operates as a basic motive (Tyler, 1991),\textsuperscript{14} raising the symbolic meaning and evaluative relevance of any form of unfairness people experience at work. Furthermore, procedural and interactional injustice violate shared expectations of reciprocal moral obligations (Cropanzano, Goldman, & Folger, 2003).\textsuperscript{15} And
when agreed-upon rules and procedures are violated, people feel a loss of personal control (Cropanzano, Rupp, Mohler, & Shminke, 2001), xvii as well as a threat to their social status (Tyler and Blader, 2000). xviii

Because organizational unfairness endangers basic motives, contradicts shared obligations, and portends negative personal consequences for employees, its performance as a Disqualifier of ethical culture should be monitored closely.

4.2 Abusive Manager Behavior

Abusive manager behavior entails the exercise of managerial power over employees in an inappropriate manner. Ashfort (1997)xix used the term “petty tyranny” to capture a constellation of abusive behaviors, such as arbitrary decision-making, employee belittlement, intolerance of dissent, and capricious punishment. Abusive manager conduct—such as yelling, humiliating, using derogatory terms, backstabbing, and so on—has also been shown to have harmful emotional impact on the employee’s sense of competence and/or self-esteem (Keashley, Trott and McLean 1994). xxi Behavior that falls in this category is unethical because it violates shared norms. It is unfair because it is enacted as a result of a power differential. And, it is abusive because it causes harm in a context in which the target doesn’t have adequate control over the means, processes, and resources needed to rectify the situation.

Moreover, such conduct can have an enduring negative impact on the organization’s culture due to the influential role managers play on their employees’ work life. Even when ethical leadership trickles down from the top (Mayer, Kuenzi, Greenbaum, Bardes, & Salvador, 2009), xxi it may be hard for people to discount the behavior of an abusive manager and the negative consequences that ensue from an experience that has such moral intensity, particularly as they are likely to interact more consistently with their immediate managerxxii. It is also difficult for the organization to control the negative learning that takes place when people observe a consistently unethical model of conduct (Bandura, 1978)xxii. Finally, if the manager’s behavior goes unpunished, employees may easily conclude that the organization doesn’t place much value on ethics.

4.3 Selfish Orientation

A selfish orientation entails putting one’s own interests and gains before those of others (Palmer, 2000)xxiv. In an organizational culture with such an orientation, people are predominantly concerned with securing and/or protecting personal outcomes. For example, employees may believe that their own survival and tenure in the organization requires defending their own turf above all else.

Though a focus on individual results doesn’t have to be at odds with ethical outcomes (Lu, Zhang, Rucker, & Galinsky, 2017)xvii, selfish motives, such as the desire for rewards or social status, can increase the likelihood of unethical behavior (Edelman & Larkin, 2015; Kern & Chugh, 2009)xxvi.
Furthermore, they may dilute the organization’s effort to create a shared ethos and successfully align self- and organizational interests.

The negative effect of a selfish orientation on a company’s ethos and risk of misconduct will manifest in different ways. For example, if people are predominantly driven by self-interest, they may choose to ignore what is right to achieve what is most beneficial to them. Or, they may fail to hold others accountable, should that entail a cost or get in the way of a gain. Or, they may gloss over ethical problems that are not immediately relevant to their goals. In this type of organizational environment, the beliefs, assumptions, and values that govern individual action and decision-making are centered upon what is right and good for oneself, rather than what is right and good for the collective.

4.4 Lack of Awareness

Moral awareness—the ability to recognize the moral implications of a challenge, situation and/or decision—is a critical component of moral reasoning and ethical decision-making (Rest, 1986; Clarkeburn, 2002). This is why lack of awareness is a Disqualifier of ethical culture. If employees cannot discern the ethical nature of certain issues, the organization is missing a key ingredient to build a strong ethical focus. Not only will people lack the resources to contribute to the organization’s discourse on ethics, but they will be less likely to engage in ethical decision-making (Treviño, 1986).

The detection of low ethical awareness among employees is also an indication that the culture, as the system of formal and informal levers that regulate and foster ethical conduct (Brown & Treviño, 2006; Kaptein, 2008), is not operating as it should. Even if people had low moral sensitivity to begin with, an organization committed to ethics would take action to raise employees’ awareness of ethical issues through conversations, training, communications, and other interventions.

4.5 Fear of Retaliation

What does it mean for people to fear retaliation? It means that they expect that others in the organization (e.g., managers, colleagues) will inflict negative consequences on them, should they report an ethical breach. That is, fear of retaliation underscores the belief that some stakeholders may engage in unethical behavior to silence employees who speak out—an expectation squarely at odds with an ethical culture. As such, this Disqualifier should be used as a prima facie indicator of the organization’s ethical orientation. Not only does fear of retaliation signal the presence of bad behavior, but it also suggests that those good behaviors that foster ethical conduct are less likely to occur. For example, when fear of retaliation is widespread, employees will be less likely to hold each other accountable. As a result, they may avoid raising important questions about ethical issues, downplay their managers’ guidance, or discount the value of E&C training. As noted by Mayer et al. (2003), it takes a village to create a culture in which people feel comfortable speaking up. That starts with eliminating all type of retaliatory behavior in the workplace.
5. The Qualifiers: Building Ethics in Organizations

The Qualifiers clarify what companies need to do to foster a strong ethical orientation, providing a balance to the Disqualifiers, which highlight the practices and dynamics an organization must avoid when building their culture. Keeping the Disqualifiers at bay while nurturing the Qualifiers is the most effective strategy to achieve a culture grounded in ethics. Not only are the Qualifiers consistent with intuitive modules people use to evaluate whether the culture is ethical or not (e.g., fairness, care, loyalty, etc.), but they are instrumental to the creation of a strong focus on ethics.

5.1 Organizational Trust

Trusting relationships are key to an ethical culture. When an individual is perceived as trustworthy, this means that people have confidence in her ability, benevolence, and integrity (Mayer, Davis, & Shoorman, 1995). If trust is prevalent in the organization, people are more likely to hold positive expectations about each other’s reliability, motivations, and conduct (Korsgaard, Brower & Lester, 2015).

This positive climate can help employees take risks when working with each other, letting trust fill the gaps. And this is why trust is a Qualifier of ethical culture: It makes it easier for organizational members to care about each other; it demands a shared commitment toward the same rules; it encourages a sense of moral obligation toward the law (Lilly, Duffy, & Wipawayangkool, 2016). In short, when organizational trust is high, employees are more concerned with doing the right thing because they know that others are taking risks with them and they are taking risks with others.

5.2 Ethical Leadership

Given that employees look for ethical guidance in connection with decision-making, leaders who consistently engage in ethical conduct can play an influential role on the culture of the organization (Brown, Treviño, & Harrison, 2005). In particular, leaders who become legitimate role models by demonstrating honesty, considerateness, and fairness have the personal assets to convincingly steer the organization’s focus towards ethics (Brown et al., 2005).

But ethical leadership does not stop at demonstrating integrity (Hogan, Curphy, & Hogan, 1994), caring for employees (Howell & Avolio, 1992), and applying fair standards (Tyler, 1986; Tyler & Degoey, 1995). It also requires making ethical principles salient and prominent, engaging in constructive two-way communications on ethical issues (e.g., speaking with and listening to employees), taking responsibility for both good and bad results, and holding people accountable to ethical standards (Brown et al., 2005).

Having leaders commit to these behaviors pays off. Not only does ethical leadership lead to a host of positive outcomes (e.g., satisfaction with leadership, perceived leader effectiveness, employee
dedication, organizational identity, employee self-efficacy, etc.), but it reduces the risk of negative ones (e.g., employee deviant behavior, misconduct, etc.). This is why the Two-Factor Model views ethical leadership as being a foundational system that organizations must cultivate if they wish to be ethical.

5.3 Benevolent Orientation

A benevolent orientation indicates a concern with the common good: People are not simply interested in themselves, but are also focused on how the organization and their actions within it may affect others, and even society at large. Such an orientation is instrumental to an ethical culture because it redefines what is good and right in less myopic and selfish terms.

The positive impact of a benevolent orientation can be multifold. When people make decisions that have ethical implications, they use criteria and frames. The criteria they use (i.e., egoism, benevolence, principled-ness) and the frames they apply (i.e., impact on self, peers, or society at large) will affect how ethical issues are treated and resolved (Victor & Cullen, 1988)xxxvii.

Organizations that cultivate a benevolent orientation are positioned to achieve a higher level of moral development. They may embrace a larger, more complex purpose, ponder challenges from different angles, and tackle ethical questions with greater humility and openness. This, in turn, can help employees avoid petty and parochial ways of thinking, strengthening their moral sensitivity and deepening their awareness in the face of new challenges and dilemmas.

5.4 Empathy

Empathy, the capacity to take perspective and put oneself in other people’s shoes, works as an ego-depleting state in which people engage by choice, according to the most recent research (Cameron, Inzlicht, & Cunningham, 2015)xxxviii. If empathy is the ability to put oneself into the shoes of others, cognitively and/or emotionally, and if it is a deliberate behavior that bears personal costs, it must entail a deeper state of awareness.

First, people must become responsive to their surroundings to choose to care. Second, the cognitive and emotional shift that allows an individual to take on another person’s experience or perspective requires a non-trivial level of presence and reflection, as suggested by the ego-depleting effects empathy has been found to have on people.

This is why empathy works as a Qualifier of ethical culture. If employees are empathetic, they are more apt to take cognitive and emotional perspective. This, in turn, can help them evaluate what is at stake from the vantage point of others and more fully consider the impact of their behavior on their peers and the organization. That is, their moral and ethical focus is bound to grow and develop, opening the way to the organization’s own moral development and ethical growth.
5.5 Efficacy & Speaking Out

In an ethical culture, not only is doing the right thing the normative standard, but people should feel confident that they can exercise meaningful agency over the achievement of ethical outcomes. This is why efficacy, the perception that one can have a positive influence on ethical occurrences, and speaking up, the act of reporting ethical issues or breaches, are critical Qualifiers.

Together, these two elements are characteristic of an environment in which employees can take action to prevent instances of unethical behavior. Efficacy, in particular, suggests that the culture provides employees with internal and external resources (Bandura, 1997) that increase their control over the organization’s ethics. In this context, speaking up, a potentially costly course of action due to the challenge it poses to authority and/or peer loyalty, underscores a person’s choice to exercise control. Despite the social costs of ‘snitching’, people who care about the organization’s ethics and who believe that their action can help correct course will take steps to counter an unethical outcome.

6. Conclusions

This paper has provided a framework for organizational ethical culture. We provide ten areas of assessment for any organization that wishes to better understand its ethical culture and the drivers of misbehavior. Each component is defined and explained. For those who wish to reduce corporate corruption, they should seek to increase in their organizational culture the factors listed as Qualifiers, and decrease the Disqualifiers.

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