Establishing Organizational Ethical Climates: How Do Managerial Practices Work?

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ABSTRACT. Over the past two decades, Victor and Cullen's (Adm Sci Q 33:101–125, 1988) typology of ethical climates has been employed by many academics in research on issues of ethical climates. However, little is known about how managerial practices such as communication and empowerment influence ethical climates, especially from a functional perspective. The current study used a survey of employees from Taiwan's top 100 patent-owning companies to examine how communication and empowerment affect organizational ethical climates. The results confirm the relationship between these two managerial practices and organizational ethical climates. We discuss our results and their implications for both future academic research and practice.

KEY WORDS: communication, empowerment, organizational ethical climate

Ethical climates have received tremendous attention from researchers (e.g., Martin and Cullen, 2006; Parboteeah and Kapp, 2008) and have been applied by many academics to research on identification and related issues of ethical climates (e.g., Agarwal and Malloy, 1999; Ruppel and Harrington, 2000; Schminke et al., 2005; Sims and Keon, 1997; Upchurch and Ruhland, 1996; Wimbush and Shepard, 1994; Wimbush et al., 1997). However, it is surprising to note that, even though empirical research has addressed the roles of leaders (e.g., Dickson et al., 2001; Grojean et al., 2004; Wimbush and Shepard, 1994) and organizational structure (e.g., Jin et al., 2007; Verbeke et al., 1996) in

influencing ethical climates, little empirical research has investigated the antecedents of ethical climates. In this study, we examine how communication and empowerment are related to ethical climates.

Schein (2004) suggests that managers can utilize many practices to embed the priorities and values they hold in the day-to-day decision-making of their subordinates, which in turn create the climate of the organization. Based on a review of recent corporate scandals, we find that one common thread in many such ethical scandals is the absence of communication and lack of employee empowerment. For instance, much has been written about the lack of appropriate communication at Enron and the ensuing ethical scandals (Kuhn and Ashcraft, 2003; Seeger and Ulmer, 2003). Furthermore, examples of corporate scandals at Enron and WorldCom showed that employees were seldom involved in decision-making (Thorne et al., 2008). These examples all suggest that poor communication and lack of empowerment are two critical precipitants of corporate scandal, which in turn also imply that organizational communication and empowerment could be critical practices for managing ethical climates in the organization.

Given the above, this study responds to Martin and Cullen's (2006) call to examine how the above two critical managerial aspects, namely organizational communication and empowerment, are related to ethical climates. We argue later that these represent two critical managerial practices and we develop hypotheses associating these practices with ethical climate types. We test our hypotheses using a

sample of individuals in high-technology organizations in Taiwan.

Theoretical background and hypotheses

Organization ethical climate

Victor and Cullen (1987, pp. 51–52) define organizational ethical climate as an organization's "shared perceptions of what is ethically correct behavior and how ethical issues should be handled." Conceiving organizational ethical climate as a multidimensional construct, they developed a two-dimensional (ethical criterion, locus of analysis) theoretical typology of ethical climates with roots in theories from moral philosophy, moral psychology, and sociology.

Victor and Cullen (1988) suggest that, according to the basic criteria applied in moral judgment, moral philosophy can be generally classified into three major classes of ethical theory: egoism, benevolence, and principle. Agarwal and Malloy (1999) and VanSandt et al. (2006) suggest that egoism and benevolence, respectively, represent two subcategories of teleology: egoistic and utilitarian moral philosophy, while principle represents deontology. Victor and Cullen (1988) relate egoism, benevolence, and principle to Kohlberg's (1967) model of cognitive moral development, claiming that Kohlberg's three levels of ethical standards employed by individuals in ethical development (pre-conventional, conventional, and post-conventional) are similar to the three bases of ethical theories noted above. As a result, based on Kohlberg's (1967) framework, Victor and Cullen (1987, 1988) proposed that types of organizational ethical climates can also be organized in terms of the three classes of ethical theory. They specify that egoism, benevolence, and principle are the ethical criteria that distinguish and form the three basic organizational ethical climates.

Victor and Cullen (1987, 1988) used these three criteria to develop the first dimension of their typology, which involves the criteria for an organization's ethical decisions. Specifically, they proposed that, when employees perceive the organization's primary ethical climate to be egoistic, they will handle ethical dilemmas with an eye to maximizing self-interest. If the organization is characterized by a benevolent climate, they will attempt to maximize the collective interest. When the ethical climate of an organization is perceived as principled, conformance to codes, rules, and laws will dominate their efforts.

Victor and Cullen (1987, 1988) also proposed that the three bases of ethical reasoning could be further distinguished in terms of the types of referent groups applied. In addition to adopting the local and cosmopolitan roles suggested by sociological theories of roles and reference groups (e.g., Gouldner, 1957; Merton, 1957), they conceptualized the individual role as another referent, and used these three referents to develop the locus-of-analysis dimension of their typology, which involves referents employed to apply ethical criteria in organizational decisions. In the individual locus of analysis, moral reasoning originates in the individual (e.g., personal ethics). In the local locus of analysis, moral reasoning emanates from the individual's immediate social system (e.g., the organization). In the cosmopolitan locus of analysis, moral reasoning originates outside of the focal organization or group (e.g., from a professional association). It has been noted that these three loci of analysis also correspond to Kohlberg's (1984) stages of individual moral reasoning (VanSandt et al., 2006; Victor and Cullen, 1988).

Victor and Cullen (1987, 1988) conceptually cross-classify the ethical criteria with the loci of analysis to produce a two-dimensional typology of ethical climates which includes nine theoretical climate types (Table I). These climate types are reviewed extensively in Martin and Cullen (2006).

Although there are nine possible ethical climate types, one of the most relevant climate types to understand employees within an organization is the local type (Parboteeah and Kapp, 2008). A large number of empirical studies have verified that intra-organizational dimensions (or the local referent) have a more functional and salient influence on people's perception of ethical climates (see Ford and Richardson's review, 1994; Victor and Cullen, 1987, 1988) and reflect situations that the organization has the ability to change (Parboteeah and Kapp, 2008). For the sake of a more precise investigation into the relationships between managerial practices and ethical climate in organizations, only the local level of ethical climates identified in Victor and Cullen's (1988) framework (i.e., egoistic-local,

TABLE I

Theoretical ethical climate types (Victor and Cullen, 1988)

Ethical criterion	Locus of analysis		
	Individual level	Local level	Cosmopolitan level
Egoism	Self-interest	Company profit	Efficiency
Benevolence	Friendship	Team interest	Social responsibility
Principle	Personal morality	Company rules and procedures	Laws and professional codes

benevolent–local and principled–local climate types) are emphasized in this study. We follow procedures similar to another recent article examining only how local ethical climate types are related to safety (Parboteeah and Kapp, 2008), as these ethical climate types are more indicative of the existing ethical climate in the organization.

Managerial practices

While there are a wide variety of managerial practices, for the purpose of this study we identified two critical managerial practices for investigation, namely organizational communication and empowerment. As we argued earlier, we believe that these two variables represent key aspects of why unethical behaviors occur in organizations. Communication is crucial to the success of organizational values, norms, and codes (Harshman and Harshman, 1999; Leung, 2008; Stevens, 2008; Suchan, 2006), and empowerment promotes morality in the workplace (Conger and Kanungo, 1988). Furthermore, a recent meta-analytic review of ethical climates (Martin and Cullen, 2006) also suggests that these two critical managerial aspects have been neglected.

Communication

There is little doubt that good communication is vital for organization effectiveness, as it has been recognized as one of the key managerial competencies (Cheney, 2007; Hellriegel et al., 2001). Important functions of communication within organizations include control, motivation, emotional expression, and information diffusion (Robbins and Judge, 2007; Tsai, 2006). Communication can be seen as the process of information exchange through various communication channels (Nobel and Birkinshaw, 1998). According to Robbins and Judge (2007) and Tsai (2006), oral (e.g., meetings and group discussion), written (e.g., emails and faxes), and nonverbal (e.g., body language) communication are the most popular and basic methods by which members of organizations transfer meaning.

The current literature provides some insights into the relationship between communication and ethics. For instance, the ethical scandals at Enron have mostly been blamed on a lack of communication within the organization (Seeger and Ulmer, 2003). This lack of communication created a vacuum in which employees were more likely to experience little guilt when behaving unethically. Furthermore, the lack of communication also meant a lack of openness, allowing problems of ethics to be masked. As such, lack of communication can result in norms and rules (Suchan, 2006) that encourage employees to feel it is acceptable to behave unethically. Schein (1985, 2004) indicates that the absence of communication and managers' reactions give subordinates a powerful signal to interpret the assumptions and values of the organization.

How is communication related to specific ethical climate types? Verbeke et al. (1996) suggest that frequent communication within an organization has a positive effect on the ethical decision-making of its employees. Irrespective of the content of the communication, as individuals communicate with each other more frequently, they are more likely to learn about and take others' needs and perspectives into account and consequently engage in more ethical decision-making (Kohlberg, 1969); that is, when communication is promoted within the organization, employees are more likely to take the well-being of others into consideration, whereas satisfaction of an organization's self-interest will be less likely considered by employees while making decisions.

Therefore, it seems reasonable to propose that communication can facilitate the development of benevolent-local climates while also discouraging egoistic-local climates within an organization.

Communication is also recognized as a control mechanism with a significant role in constantly reminding employees of stated codes of ethics and conduct (Laczniak and Murphy, 1991). By regularly communicating with employees through either formal meetings or informal conversations, management ensures that subordinates do not subtly forget or breach ethical codes and rules. Moreover, as codes of ethics might be written ambiguously (VanSandt and Neck, 2003), it is suggested that effective communication by managers may be necessary to ensure that ethical expectations of the organization are well understood by employees (Koh and Boo, 2001). Weeks and Nantel (1992) and Stevens (2008) also indicate that organizational communication enhances the effectiveness of organizational codes and rules. Consequently, on the basis of these findings, it seems logical to suggest that communication can also contribute to the development of principled-local climates in organizations.

In sum, based on all of the above, we propose the following hypotheses:

Hypothesis 1a: Communication is negatively related to the egoistic-local type of climate.
Hypothesis 1b: Communication is positively related to the benevolent-local type of climate.
Hypothesis 1c: Communication is positively related to the principled-local type of climate.

Empowerment
Empowerment is viewed as a motivational mechanism through which employees have the ability to affect their work roles and work context (Spreitzer, 1995, 1996). It is often manifested when employees take on responsibilities traditionally assigned to supervisors (Leach et al., 2001; Valadares, 2004). For instance, in Nordstrom, a department store chain in the USA, employees are empowered to use their own judgment in all contexts without additional rules. Similarly, in the typical Levi Strauss jeans factory, drivers are empowered to make decisions about the specifications of trucks and to negotiate

with suppliers when there is the need to buy a new truck (Pfeffer, 2005).

Although Spreitzer (1995, 1996) argues that empowerment includes four dimensions (i.e., meaning, competence, self-determination, and impact), we focus on that of self-determination, because it embodies the essence of empowerment and the degree to which employees perceive that they have choice and autonomy in their daily job activities (Butts et al., 2009). We believe that this manifestation of empowerment, namely self-determination, has the strongest relationship with ethical climates.

We argue that empowerment is positively related to benevolent-local and principled-local climate types and negatively to egoistic-local ethical climate types. Specifically, if employees are empowered, they are more likely to feel that they have the ability to determine their work outcomes and have an impact on the work environment (Spreitzer, 1995, 1996). Empowerment also signals to employees that their judgments and decisions are trusted by both the organization and their supervisors (Butts et al., 2009). They are therefore more likely to feel that both managers and organization care for their well-being and value their contributions and, reciprocally, to act in ways that maximize the well-being of others and the organization and minimize self-interested decision-making. Social exchange theory (Eisenberger et al., 1990) makes the almost identical claim that empowered employees behave in ways that benefit the organization (benevolent), because they typically feel favorably treated by the organization and so are more likely to have positive attitudes towards the organization (Addae et al., 2006). Thus, we expect empowerment to be positively related to a benevolent climate and negatively related to the egoist ethical climate type.

Furthermore, it is reported that, while corporations have recognized the importance of ethics development and most have established codes of ethics to some degree (Laczniak and Murphy, 1991), their efforts have not been as successful as expected (Healey and Iles, 2002; Stevens, 2008; VanSandt and Neck, 2003). Empowerment, by placing an emphasis on involving employees in establishing and improving ethical standards, is likely to result in more involved employees. VanSandt and Neck (2003) suggested that, as individuals are more likely

and willing to achieve and maintain the standards they set themselves, involving employees in instituting organizational ethical codes and rules can contribute to aligning ethical expectations of an organization with the ethical values of its employees. Mulki et al. (2008) noted that success in this alignment is vital to the existence of an effective ethical climate. VanSandt and Neck (2003) point out that, since people are more likely to behave unethically when they are not accountable for their decisions, empowerment puts pressure on employees to make ethical decisions, as they are responsible for the consequences. According to these findings, empowerment should be positively related to a principled climate.

In sum, based on all of the above we propose that, when employees are empowered, they are more likely to make decisions based on collective interest and principle than on maximization of the organization's self-interest. Consequently, empowerment can facilitate the development of benevolent-local and principled-local type of climates while discouraging the egoistic-local type of climate within an organization. Accordingly, we hypothesize that:

Hypothesis 2a: Empowerment is negatively related to the egoistic–local type of climate.
Hypothesis 2b: Empowerment is positively related to the benevolent–local type of climate.
Hypothesis 2c: Empowerment is positively related to the principled–local type of climate.

Method

Sample

Employees in 83 high-technology companies on a list of top 100 patent-owning companies provided by the Taiwan Intellectual Property Office were invited to participate in this study. Heads of the human resources (HR) divisions of those firms were contacted, and the objectives of this study were explained to them. The number of questionnaires sent to each participating firm ranged from 10 to 40, as suggested by the pertinent HR division.

Survey documents delivered to the consenting organizations were accompanied by a cover letter in which the purpose of the study was outlined and the rights of participants were addressed. Each participant was also provided with a postage-paid return envelope, so that the completed questionnaires could be returned directly to the researchers to ensure respondent anonymity. Two hundred twenty-two out of 310 questionnaires were returned from 19 organizations. One hundred ninety-seven questionnaires were usable, representing a 63.5% response rate.

Measures

The first section was designed to gather information about the perceived existence of communication and empowerment in the organizational setting. Measures were developed based on a review of communication and empowerment practices reported in the literature, as commonly applied in organizations. Items pertaining to communication practices were developed based on forms of organizational communication described by Bovée and Thill (2007) and on prior empirical studies of communication practices in organizational settings (e.g., Krone et al., 1992; Subramanian, 2006; Verbeke et al., 1996). Items pertaining to empowerment were developed based on Nykodym et al.'s (1994) review of areas of employee empowerment, and on summaries by Conger and Kanungo (1988) and Luthans (1992).

We used a yes/no response format to elicit feedback indicative of whether communication and empowerment practices were perceived by employees to exist in the organization. Kline (2000) maintains that dichotomous items are readily understood and easily completed. These kinds of questionnaires often seek to obtain factual information about the occurrence of events or behaviors (Bender et al., 1997; Strickland, 1999). Our approach is similar to that of Parboteeah et al. (2004), in whose study a volunteering variable was measured via "yes" responses regarding various volunteer activities and the subsequent aggregate was used as the volunteering score.

Factual information items do not necessarily correlate conceptually (see examples in Liao and Chuang, 2004; Strickland, 1999), and the dichotomous format of the item data following the assumption mentioned above would further undermine the theoretical basis for conducting internal

consistency analysis (Strickland, 1999). Therefore, it is not reasonable to argue that internal consistency analysis is a good reliability index to employ in this study. Given that the reliability of a measure hinges on the precision and clarity of its questions (Steinberg, 2004), and the content validity of a measurement is verified if it reflects important contents of the domain measured (Carmines and Zeller, 1991; Donald, 2003), we consulted field experts of the high-technology industry in Taiwan to assess the clarity and adequacy of the items. Only items deemed to clearly and adequately represent the nature of communication or empowerment practices in Taiwan high-technology organizations were used in the questionnaire. Appendix 1 presents the items used to measure both communication and empowerment.

In the second section, the organization's ethical climate was measured using the Ethical Climate Questionnaire (ECQ) developed by Victor and Cullen (1988). Employees were asked to rate the ethical climate they perceived in the workplace on a six-point Likert-type scale with 1 as ''strongly disagree'' and 6 as ''strongly agree.'' Example items included ''What is best for everyone in the company is the major consideration here'' and ''It is very important to follow the company's rules and procedures.'' Demographic data (gender, tenure, department, level of education, age) was gathered from each participant in the last section of the survey.

Procedure

In this study, instruments in English were translated into Chinese, then back-translated to ensure the accuracy of the translated scales. A pilot test of 37 professionals registered in the MBA program at a university in Taiwan was run prior to the full survey. During the pilot test, participants were encouraged to ask questions so that the Chinese version of the questionnaire could be amended if there was any ambiguity. The results of the pilot test indicated that there were no problems with wording, and consequently items of the questionnaire were back-translated into English by a professional translator. Three English-speaking experts were invited to verify the resemblance to the original scales.

Analysis

The frequencies of all variables were examined to detect data-entry errors that would cause inaccuracies in the analysis. The demographic background of the respondents is reported using descriptive statistics. In line with previous research (Parboteeah et al., 2005; Parboteeah and Kapp, 2008), the data were subjected to factor analysis to examine the factor structure of the ethical climate items. Ethical climate scales that comprised appropriate items were then developed based on factor loadings. To address the objectives of this study, hypotheses were tested using regression analysis to examine relationships between managerial practices and ethical climates.

Results

Table II presents the means, standard deviations, and correlations for all the variables included in the study. Of respondents, 63.4% were male and over 95% were younger than 40 years old. All held bachelor's (44.1%) or graduate or postgraduate (51.8%) degrees.

Because the focus of this study is the three local-level ethical climates identified in Victor and Cullen's (1988) framework, only items which represent the local level of egoistic, benevolent, and principled climate types in the ECQ were factor-analyzed. The analysis generated a three-factor solution. As shown in Table III, all the local ethical climate items cleanly loaded on the expected ethical climate types (i.e., egoistic-local, benevolent-local, and principled-local). The reliabilities were 0.66, 0.77, and 0.78, respectively.

In an attempt to explore the possible effects of managerial practices on ethical climates in the workplace, communication and empowerment were entered into the regression for the local ethical climate dependent variables. Table IV shows the results of the regression analysis. In terms of the first set of hypotheses, while hypothesis 1a and 1b were not supported, the results reveal strong support for hypothesis 1c ($p < 0.001$), suggesting that communication is significantly and positively related to principled-local climates. With regard to the second set of our hypotheses, hypothesis 2a and 2b

TABLE II

Descriptive statistics and correlations

Variable	Mean	SD	1	2	3	4	5	6	7	8
1. Age	29.82	5.77								
2. Gender[a]	0.63	0.51	0.21★★							
3. Education[b]	2.48	0.58	−0.15★	0.22★★						
4. Communication	0.82	0.18	−0.08	−0.14★	−0.11					
5. Empowerment	0.71	0.33	−0.06	−0.01	0.04	0.37★★★				
6. Egoistic–local	3.19	0.89	0.10	0.10	−0.11	−0.08	−0.23★★	(0.66)[c]		
7. Benevolent–local	4.37	0.96	0.04	0.07	0.02	0.08	0.17★	−0.001	(0.77)	
8. Principled–local	4.36	0.80	−0.09	0.01	0.04	0.33★★★	0.16★	−0.18★★	0.36★★★	(0.78)

$N = 197$; ★$p < 0.05$; ★★$p < 0.01$; ★★★$p < 0.001$.
[a]0 = female; 1 = male.
[b]1 = associate; 2 = bachelor; 3 = master or above.
[c]Reliability.

TABLE III

Factor analysis for local ethical climates

Items	Egoistic-local	Benevolent-local	Principled-local
People are expected to do anything to further the company's interests	0.804	−0.242	−0.020
People are concerned with the company's interests − to the exclusion of all else	0.764	0.135	0.077
Work is considered substandard only when it hurts the company's interest	0.717	0.139	−0.324
The most important concern is the good of all the people in the company	0.012	0.870	0.181
Our major consideration is what is best for everyone in the company	0.026	0.868	0.201
Everyone is expected to stick by company rules and procedures	0.065	0.178	0.815
It is very important to follow the company's rules and procedures here	−0.023	0.189	0.811
People in this company strictly obey the company policies	−0.068	0.064	0.808
Successful people in this company go by the book	−0.227	0.125	0.630

were both supported in the expected direction ($p < 0.01$ level and $p < 0.1$, respectively) while hypothesis 2c was not, suggesting that empowerment is negatively related to egoistic-local climates but positively related to benevolent-local climates. The combined results constitute compelling evidence that communication and empowerment exert discernible effects on local ethical climates.

Discussion

In view of the substantial costs associated with employees' unethical behaviors and the significant impacts of ethical climates on organizational outcomes, it is of practical importance to explore what managers can do to manage the ethical climates in their organizations. This study integrated managerial

TABLE IV

Regression results predicting relationships between managerial practices and ethical climate types

| | Egoistic-local | | Benevolent-local | | Principled-local | |
	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6
Age	0.067	0.049	0.027	0.037	−0.096	−0.072
Gender	0.117	0.120	0.061	0.066	0.026	0.061
Education	−0.126	−0.116	0.008	0.008	0.011	0.039
Communication		0.024		0.045		0.321★★★
Empowerment		−0.221★★		0.138†		0.037
R^2	0.032	0.077	0.005	0.031	0.009	0.119
ΔR^2		0.045★		0.026†		0.110★★★

†$p < 0.1$, ★$p < 0.05$, ★★$p < 0.01$, ★★★$p < 0.001$.

practices and ethical climates into one model to examine the possible effects of communication and empowerment on the three types of local ethical climates (i.e., egoistic-local, benevolent-local, and principled-local climate types) identified in Victor and Cullen's (1988) framework. Three of our hypotheses were substantiated in the empirical analysis. The results of this study provide a number of insights.

First, as predicted, communication is positively associated with principled-local climates. This result is not only in line with studies which found that communication is key to the effectiveness of organizations' ethical codes and rules (Koh and Boo, 2001; Stevens, 2008; VanSandt and Neck, 2003; Weeks and Nantel, 1992) but also provides further evidence that principled-local ethical climates can be developed and enhanced by means of communication. This result can be realized by considering the important role of communication in terms of transmitting and embedding an organization's assumptions and values in its employees' daily operations (Schein, 1985, 2004). Specifically, through communication, managers are able to subtly but potently embed and transmit the underlying ethical values and expectations of the organization's rules and codes to their subordinates. When employees understand and embrace the expectations and values inherent in organizational rules and codes in their everyday decisions, the result is a principled-local climate.

Our results empirically support all the hypothesized relationships between empowerment and egoistic-local and benevolent-local climates, sug-

gesting that empowerment can affect local ethical climates by simultaneously discouraging egoistic-local climates and encouraging benevolent-local climates. These findings could be explained by looking into subordinates' sense of obligation and reciprocity motivated intrinsically by empowerment. Specifically, as Chan et al. (2003) suggest, in the context of empowerment, employees are motivated to take ownership of their jobs. When employees recognize their own obligations to organization operations, it is expected that egoistic behavioral responses from employees are less likely to be produced. Individuals are more prone to behave ethically when they hold themselves accountable for their actions (VanSandt and Neck, 2003). Also, as previously noted, when employees are empowered, they are likely to perceive that they are trusted and supported by both the organization and their managers (Conger and Kanungo, 1988). In this context, based on the norm of reciprocity noted in social exchange theory (Blau, 1964; Thibaut and Kelley, 1959), empowered employees are likely to demonstrate reciprocity in kind; that is, in the context of empowerment, employees, as reciprocation, are more likely to have benevolent behavioral responses and attitude towards the well-being of others and the organization. Thus, by means of empowerment, benevolent-local climates can be promoted whereas egoistic-local climates can be discouraged in the organization.

It was expected that, through frequent communication, employees would be more likely to take others' needs into account in day-to-day decisions,

which in turn would contribute to the development of benevolent-local climates and discourage egoistic-local climates in the organization. However, neither association was significant in our study. One possible reason for these results can be explained from a cultural perspective. It is noted that concern for others' needs is embedded in the individual values of people from collectivistic societies (Kluckhohn and Strodtbeck, 1961). By implication, the associations between communication and benevolent-local and egoistic-local climates might therefore become insignificant in the context of a collectivistic culture such as Taiwan's (Ali et al., 2005; Hofstede, 1983), from which our sample was collected, because the needs of others are by default likely to be primary considerations in decisions made by individuals.

Our hypothesis that principled-local climates can be elicited by involving employees in establishing ethical codes and rules is also not supported by our results. One possible explanation for this result might be due to the fact that high-technology firms such as those which participated in the study are subject to ethical codes and rules imposed by professional associations such as the Institute for Certification of IT Professionals and the Association for Computing Machinery. When employees do not contribute to local codes and rules, empowerment may lose its association with principled-local climates.

Although some of the examined relationships were found to be surprisingly insignificant and thus require further investigation, the results of our study clearly show that communication and empowerment have significant influence on the development of local ethical climates. Such results also correspond with the findings of previous studies that ethical climates are manageable and controllable in the workplace (Parboteeah and Kapp, 2008; Verbeke et al., 1996).

Limitations, practical implications, and future research

Despite the promising findings, we must note several limitations. First, we used a yes/no research design to assess empowerment and communication. We are aware of the existence of more elaborate questionnaire designs with scale measurement. Nevertheless, we note that our study is based on extant research regarding accurate assessment of the actual existence of empowerment and communication rather than the degree to which these practices are perceived. Second, we also note that we did not assess the specific nature of communication but rather the extent of communication. Third, we acknowledge that ethical climates are a collective property that may necessitate cross-level modeling such as hierarchical linear modeling. However, the literature has yet to provide guidance on new statistical approaches to assess group-level outcomes from individual-level predictors (Croon and van Veldhoven, 2007). Finally, we also note that our study was conducted in a specific industry in a specific country. We hope future research will replicate our research in other environments.

Several implications for practitioners can be derived from the results of this research. The first implication is that two specific managerial practices can be utilized to facilitate the development of local ethical climates. Since it is suggested that employees' ethical behaviors can be affected by the ethical atmosphere of the organizations where they work (Kohlberg, 1984) and that promoting a positive ethical climate is a sound business practice (Mulki et al., 2008), managerial practices associated with local ethical climates are therefore of particularly great importance to managers. We have demonstrated that communication can contribute to the development of principled-local ethical climates and that empowerment can both foster benevolent-local climates and discourage egoistic-local ethical climates. Managers can therefore deploy communication and empowerment to elicit desired types of local ethical climates. For instance, to foster a principled-local climate, managers should promote frequent formal or informal organizational communication. Organizational communication is the key to embedding organizational codes and rules in employees' decision-making processes. Nevertheless, while explicit statements of what is and is not acceptable are crucial to regulating employee behavior, organizational rules and procedures cannot work by themselves (Koh and Boo, 2001; Stevens, 2008). The falls of Enron and WorldCom have confirmed that complete reliance on rules and regulations is inadequate to protect organizations from ethical scandals, as these two organizations both had extensive codes and rules (Stevens, 2008). It was a breakdown in communication and the

concomitant failure to create a principled-local climate, not an absence of codes and rules, that precipitated the demise of Enron (Seeger and Ulmer, 2003). Communication is critical to fostering a principled-local climate and should by no means be neglected.

Empowerment likewise has important implications vis-à-vis egoistic and benevolent local climates. The popular press commonly ascribes the occurrence of ethical crises in organizations, such as the Enron scandal, to failure of responsibility (Seeger and Ulmer, 2003). Our findings suggest that, through empowerment, managers can bolster employees' sense of personal responsibility for individual decisions, thus discouraging the development of egoistic-local climates and consequently reducing the incidence of ethical crises. Furthermore, since it has been suggested that, in a benevolent-local climate, employees are more likely to take the benefit of the whole organization into consideration (Parboteeah and Cullen, 2003), creating this type of ethical climate should be of great importance for those managers who strive to protect their organizations from ethical crises. As such, our findings confirm that managers could employ empowerment practices to motivate a sense of reciprocation in their subordinates, which in turn, as previously noted, will elicit a benevolent-local climate in the workplace.

The second implication is that the insignificant associations found in this research are also worth noting. In this current study, two managerial practices are hypothesized as being related to specific types of local ethical climates. However, some of our predicted links are reported as lacking association. This also signals that further research is needed to investigate possible factors that could lead to these insignificant outcomes. For instance, these associations should be tested in different cultural and industrial contexts, in some of which communication and empowerment may exert greater impact. A broader range of studies of this type would provide enhanced understanding of how best to utilize these two managerial practices in different situational contexts.

The third implication is that, because the effects of communication and empowerment on the development of local ethical climates are significant, there should be further research to examine which methods of communication and empowerment are most effective in eliciting desired ethical climate types. Additionally, and more importantly, while our results have pointed out the importance of communication and empowerment to the development of local ethical climates in the workplace, this is only a good start. Future studies should strive to identify additional managerial practices that can contribute to the development of organizational ethical climates, so that managers can be more comprehensively equipped to manage ethical climates in their organizations.

The research presented herein contributes to knowledge of organizational ethical climates. The important but generally disregarded relationships between managerial practices and organizational ethical climates are empirically analyzed and evidenced. Nevertheless, our results should be viewed with the caveat that the study was conducted in a single industry in a single country. The generalizability of our results to other industries and nations may therefore be limited. Replication studies in different industries and countries are needed to ascertain and extend the generalizability of our findings. Moreover, as some individual factors might have an impact on employees' perception of ethical climates, research should also be carried out to investigate the effects of factors such as job level (Victor and Cullen, 1988) on employees' perceptions of organizational ethical climates.

Appendix 1: Communication and empowerment items

Communication

There are routine meetings in the organization.
There is an intranet or information system to facilitate information sharing in the organization.
Formal as well as informal communication comes out frequently in the organization.
In my department, we set and communicate goals annually.
The organization informs associated members of changing policy in advance.

Empowerment

Management trust people to take work-related decisions.

Employees are given the opportunity to decide alternatives that affect them, such as work hours or placement of equipment.

When the organization meets certain problems, members are welcomed to provide solutions.

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