The organization's ethical climate helps to determine how employees at all levels make ethical decisions.

An Ethical Weather Report: Assessing the Organization's Ethical Climate

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In 1982 and again in 1986, grisly reports of poisoning by tainted Tylenol hit the newsstands. Within hours of hearing of the crisis, McNeil Laboratories, a subsidiary of Johnson & Johnson, voluntarily and completely withdrew the product from the market—and this in spite of the fact that the disaster resulted from tampering rather than manufacturing error. The Washington Post described the company's efforts as a textbook example of a firm's willingness to do what is right, regardless of cost. Why did McNeil make the decision that it did? The oft-cited response was, "It's the J&J way."

That simple statement expresses a somewhat more complex concept: that corporations, like individuals, have their own sets of ethics that help define their characters. And just as personal ethics guide what an individual will do when faced with moral dilemmas, corporate ethics guide what an organization will do when faced with issues of conflicting values—in the Tylenol case, the health and lives of consumers versus the short-term robustness of the balance sheet. Corporate ethics help managers and employees answer the question, "What should I do?"

There's no shortage of differing opinions about what businesses should do in various situations, and about what constitutes ethical behavior—no doubt you have seen many such opinions expressed in the news media. But information on how businesses can implement ethical practices is scant. In the wake of insider trading scandals, chemical disasters, and product liability cases such as the Tylenol episodes, the press has exhorted corporate America to behave ethically. And numerous philosophy books and academic articles give varied definitions of what constitutes ethical behavior. For example, John Rawls, author of the classic volume *A Theory of Justice* (Belknap Press, 1971), says that ethics is justice:
the principles that all rational human beings would select to govern social behavior if they knew that the rules could potentially apply to themselves. In other words, if a CEO delineated one set of personnel procedures to apply to hourly workers, but he was unwilling to have those same procedures applied to top management as well—that is, to his own group—then Rawls would deem those procedures unjust and unethical.

Michael Keeley, a professor of business administration at Loyola University in Chicago, suggests that organizations are ethical to the extent that they minimize possible harm to all of their constituencies. If a manufacturer were contemplating a plant closing, for instance, it would have to consider carefully the impact of job losses on workers’ families and the community at large, and take special care to protect the most vulnerable stakeholders from damaging consequences.

Furthermore, of course, virtually every executive has his or her own deeply held values about corporate morality. But how can those values be translated into action?

ETHICAL CLIMATE:
A WAY TO MANAGE ETHICS

Corporate ethics drive not only the content of moral decisions—‘What should I do?’—but also the process of decision making—‘How shall I do it?’ We wish to suggest a practical tool that executives can use to gauge the ethical climate of their companies, and, if they’re not pleased with what they find, to begin to change it. The company’s ethical climate helps to determine (1) which issues organization members consider to be ethically pertinent, and (2) what criteria they use to understand, weigh, and resolve these issues. Of course, the ethical climate is but one component of the organizational culture.

All organizational values that pertain to questions of right and wrong contribute to the company’s ethical climate: the shared perceptions of what is correct behavior (i.e., content), and how ethical issues will be dealt with (i.e., process). Although the ethical climate is a major force driving organizational decision making, by no means are all decisions determined by the ethical climate. How information is gathered—whether by intuition or quantitative analysis—is not determined by the ethical climate. Conventions and rules whose consequences do not have an impact on morality are also excluded. And as one would expect, organizational choices that do not affect the well-being of individuals or groups are not set according to the ethical climate. Thus the ethical climate certainly pertains to the decision of whether or not to pay a kickback; but it does not have an impact on how organizational members determine whether the buyer expects a kickback—which is a question of fact—or whether the buyer should be paid in cash or merchandise—a question of convention.

Despite these exclusions, the ethical climate has a far-reaching impact on the organization. Once we know a person fairly well, we can generally describe him or her as caring, or self-interested, or principled; and we are likely to find that the person’s ethics are apparent across a wide spectrum of situations. These same characteristics can apply to organizations. Johnson & Johnson, for example, describes itself as a “caring company.” According to CEO Burke, the Tylenol plan for action sprang directly from the company’s credo, which ranks service to consumers as its uppermost goal, followed by responsibility to workers, management, and the community; financial returns come last. (Of course, Johnson & Johnson’s continuing fiscal health attests to the fact that all these goals are by no means in opposition to each other.)
UNDERSTANDING ETHICAL CLIMATE

A knowledge of both organization theory and economics is important in understanding ethical climate. Three factors determine a company's ethical climate: the environment in which the firm functions; the form of the organization (e.g., centralized, divisional, multinational); and the company's history. Johnson & Johnson, for example, had long identified itself with the medical profession. That element of corporate history may well have caused the company to be influenced by the ethos of medicine's Hippocratic oath, i.e., "First do no harm"; hence the company's swift responses to the Tylenol tamperings.

When evidence came to light that Procter & Gamble's Rely tampons were linked to the potentially fatal toxic shock syndrome, that company's response was slower than Johnson & Johnson's—for which P&G was roundly castigated by consumer groups. But P&G has an excellent reputation in the business world and people who followed the events agree that the likelihood of that company's having committed coldblooded malfeasance is very slim. In fact, J&J's Burke, who has a lively interest in corporate social responsibility, considers P&G to be one of the nation's most ethical companies. Why, then, was the firm slow to respond to the Rely problems? Part of the answer is surely due to the fact that the causal relationship between Rely and toxic shock syndrome was not nearly as clear as the causal relationship between Tylenol and poisoning.

However, a plausible explanation—which does not contradict this point—is that P&G, which is a consumer goods marketer and not a pharmaceutical firm, had no corporate history of dealing with life-or-death situations; and therefore its corporate ethics evolved along different lines than did those of Johnson & Johnson. In essence, J&J had a ready-built
ethical rule which it could apply quickly and easily when the crisis occurred; P&G did not have that running start.

Although it is easy to speculate about which factors determine the company's ethical climate—environment, structure, and history—the relative impact of each of the three variables is not yet known. Before that issue can be explored further, we must have a valid and reliable measure of ethical climate against which to compare the factors.

MEASURING ETHICAL CLIMATE

Headline-grabbing incidents such as the Tylenol and Rely crises provide a rare opportunity to observe corporate ethics in action. Assessing a company's ethical climate in the absence of a particular dramatic episode is a knottier problem, and one that has not been addressed until recently. We propose a method for doing so, based upon the assumptions that (1) each company or subunit has its own moral character, (2) group members know what this character is, and (3) the group members can tell an outsider about their organization's moral character in an objective way, regardless of how they feel about it. In other words, the best way to find out about an organization's ethical climate is to ask the people who work there about it. It readily follows that in order to determine his or her own firm's ethical climate, a manager should ask the employees about it. Sample questions from a questionnaire designed for that purpose are presented in Exhibit 1.

An explanation of how we drew up the questionnaire might be helpful to the reader. As a starting point, we composed a chart showing possible ethical climates, based on philosophical, sociological, and psychological theory (see Exhibit 2). The chart has two axes, representing how the ethical systems are
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derived and to whom they apply. As the vertical axis shows (how the systems are derived), ethical systems may be based upon self-interest, caring, or abstract principle. As the horizontal axis shows (to whom they apply), ethics may be applied to individuals, the group, or society at large.

Harvard professor of education Lawrence Kohlberg is perhaps the best-known scholar on the psychology of ethics. Although our work deals with organizations and his deals with individuals, we did use some of his concepts in drawing up the chart. Kohlberg says that as people develop morally—from early childhood to adulthood—they use different types of ethical criteria and show distinct patterns of moral reasoning. By moral reasoning, Kohlberg means reflective thinking about how ethical dilemmas ought to be solved. According to Kohlberg, moral development follows a sequence, much as does intellectual development. Moral reasoning progresses from being based on the fear of punishment, to stemming from concern for other people whom one knows or can vividly imagine, to growing out of concern for universal rights and humanity as a whole. In this progression, Kohlberg lists three types of ethical standards, which are the ones that we use on our vertical axis: self-interest, caring, and principle. These three standards, interestingly enough, correspond to philosophy's three major classes of ethical theory: egoism, utilitarianism, and deontology. Essentially, egoism is motivated by the wish to maximize one's own interests; utilitarianism by the wish to maximize the interests of oneself and significant others; and deontology is motivated by the abstract desire to do what is right, independent of the action's specific outcome and whose interests are particularly affected by it.

Kohlberg's theory of moral development—and much of moral philosophy in
general – assume that these ethical criteria are quite distinct from each other; in fact, that they are fairly incompatible. People who are "caring" are not apt to pay a great deal of heed to laws and rules; people who are "principled" are likely to screen out the effects of a given choice on themselves, and on other individuals. Take the case of a stockbroker who is offered a hot tip from a friend based on inside information: The caring broker would probably counsel his friend to stop such harmful activities; the principled broker might well report the violation to the SEC, despite the pain that the disclosure could bring to him and his friend; and the self-interested broker would probably act on the information.

If the various ethical reasoning modes are incompatible for individuals, the same is probably true of organizations. Therefore, we place self-interested, caring, and principled cells along the horizontal axis of our typology.

**Ethics and Organizational Roles**

Theories of social roles in organizations and reference groups provide support for considering different levels of analysis in ethical decision making. Sociologist Robert Merton and others studying the development of social roles in organizations have identified several reference groups that help define the behavior and attitudes associated with particular organizational roles. For example, Merton makes a distinction between a local and a cosmopolitan role. In the local case, the reference groups or sources of role definition are within the organization: A worker in a steel factory, for example, might look to his or her coworkers or foreman to define how to behave on the job. In the cosmopolitan case, sources of role definition are outside the organization: An accountant might be very concerned with the standards of the AICPA, or a physician with the dictates of the Hippocratic oath. Researcher Alvin Gouldner uses this distinction to distinguish the professional from the "organization man."

Kohlberg also emphasizes the importance of the effects of moral decisions. His theory states that some people almost always make moral decisions based on how the outcomes will affect individuals. Others consider the effects on groups that they belong to, such as their family or their organization. Still others look beyond their immediate reference points to consider the interests of society at large or even humanity as a whole.

It certainly seems reasonable that the organization's ethical climate may be defined in terms of its level of ethical analysis, so we place these dimensions on the vertical axis of our chart in Exhibit 2. Some climates may be highly individualistic; others are organizational; and some are cosmopolitan in their focus. These focuses are generally mutually exclusive: Organizations that have individualistic or local ethical climates may not be as attentive to larger social concerns as organizations with cosmopolitan orientations are likely to be. For example, a tobacco company may have a "caring" climate with regard to its employees—but its caring may not extend to the consumers of its product.

Since, as the chart in Exhibit 2 illustrates, there are two dimensions on which ethical climates differ— the type of criteria and the level of analysis—and since there are three categories of each dimension, there are nine possible ethical climates. The ethical climate may focus on any one of these nine factors: self-interest, company profit, efficiency, friendship, team interest, social responsibility, personal morality, rules and standards, or laws and professional codes.
Exhibit 1
ETHICAL CLIMATE QUESTIONNAIRE
(SAMPLE QUESTIONS)

We would like to ask you some questions about the general climate in your company. Please answer the following in terms of how it really is in your company, not how you would prefer it to be. Please be as candid as possible; remember, all your responses will remain strictly anonymous.

Please indicate whether you agree or disagree with each of the following statements about your company. Please use the scale below and write the number which best represents your answer in the space next to each item.

To what extent are the following statements true about your company?

<table>
<thead>
<tr>
<th>Completely False</th>
<th>Mostly False</th>
<th>Somewhat False</th>
<th>Somewhat True</th>
<th>Mostly True</th>
<th>Completely True</th>
</tr>
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<tr>
<td>0</td>
<td>1</td>
<td>2</td>
<td>3</td>
<td>4</td>
<td>5</td>
</tr>
</tbody>
</table>

1. In this company, people are expected to follow their own personal and moral beliefs.
2. People are expected to do anything to further the company’s interests.
3. In this company, people look out for each other’s good.
4. It is very important here to follow strictly the company’s rules and procedures.
5. In this company, people protect their own interests above other considerations.
6. The first consideration is whether a decision violates any law.
7. Everyone is expected to stick by company rules and procedures.
8. The most efficient way is always the right way in this company.
9. Our major consideration is what is best for everyone in the company.
10. In this company, the law or ethical code of the profession is the major consideration.
11. It is expected at this company that employees will always do what is right for the customer and the public.

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ORGANIZATIONAL REALITIES

Of course, the fact that these categories make sense in theory does not mean that they actually occur in organizations. To test whether they do, we drew up a list of statements describing each type of ethical climate, and asked company members to choose the statements that best fit their own organizations. A sample of the statements that make up the questionnaire is shown in Exhibit 1. Our sample of respondents contained 872 people representing four organizations: a manufacturing plant, a printing company, a savings and loan institution (S&L), and a telephone company. Respondents were instructed to answer according to what the company is really like, rather than how they would like it to be. After we had collected all the responses, we used factor analysis—a statistical technique that analyzes questions that have multiple answers—to determine whether distinct ethical types emerged.

Indeed they did. Interestingly, no actual organization’s ethical climate fit into the efficiency cell, but the remaining eight cells were
all filled, with certain climates encompassing two or more adjacent cells. Altogether, five actual climates occurred, as compared to nine theoretical climates. An instrumental climate fell into the self-interest and company profit boxes. Statements such as, “In this company, people are only out for themselves” and “People are expected to do anything to further the company’s interests” capture this ethical type. A caring climate spanned all three benevolent cells: friendship, team interest, and social responsibility. This climate is characterized by statements like, “Our major consideration is what’s best for everyone in the company” and “It is expected that you’ll always do what is right for the customer and the public.” An independent climate emerged in the personal morality box, with descriptors including, “In this company, people are expected to follow their own personal and moral beliefs.” The rules and standard operating procedures (SOP) cell had its own rules-oriented climate, characterized by statements such as, “Everyone is expected to stick by the company’s rules and procedures.” Finally, a laws-and-codes climate emerged in the principled-cosmopolitan cell. For this climate, organizational members selected such statements as, “The first consideration is whether a decision violates any law” and “The ethical code of the profession is very important.”

Each of these actual climates represents a form of reasoning that might be used in organizational decision making. The laws-and-codes climate prevails wherever the company uses externally generated standards and principles in choosing a course of action. The rules climate is in effect when internally generated principles and guidelines are used to direct decision making. In caring climates, the company emphasizes benevolent criteria such as the interests of other employees or the welfare of the work team. Self-interest is the key criterion in organizational decision making when the firm has an instrumental climate; and individual moral judgment is of foremost importance in an independent climate.

INDUSTRY DIFFERENCES

The printing company—which has a traditional respect for craftsmanship—demonstrated the most independent climate of any organization in the study, with the least reliance on laws, rules, and codes. Contributing to this independent climate was the fact that the company had no professional manager; each worker’s own judgment was thus very important.

Recall that in the questionnaire, statements about organizational ethical climate are placed on a six-point scale, ranging from 0—completely false—to 5—completely true. Respondents were asked to use this scale to say how true each of these statements is about their own organizations. At the printing company, respondents gave independence a rating of 3.0; they rated caring 3.1; they rated both laws-and-codes, and rules 2.8; and they gave instrumentalism a 2.2 rating.

The printing company not only received a higher “independence” rating than any other organization; in fact, it was the only company where independence received a rating of any significant importance: The manufacturing plant rated independence 2.4; the telephone company rated it 2.2; and the S&L rated it 2.1 in importance. Indeed, when we informed the executives of the telephone company that their employees had said that they did not use personal judgment in their ethical decision making, the executives were pleased: “That’s the way we prefer it,” they responded. In no organization did the respondents admit to having a predominantly instrumental climate, but the ratings showed that all the companies embodied instrumentalism to some degree.
Exhibit 2
Types of Organizational Ethical Climates

<table>
<thead>
<tr>
<th>INDIVIDUAL</th>
<th>LOCAL</th>
<th>COSMOPOLITAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>Self-Interest</td>
<td>Company Profit</td>
<td>Efficiency</td>
</tr>
<tr>
<td>Friendship</td>
<td>Team Interest</td>
<td>Social Responsibility</td>
</tr>
<tr>
<td>Personal Morality</td>
<td>Rules and Standard Operating Procedures</td>
<td>Laws and Professional Codes</td>
</tr>
</tbody>
</table>

The respondents from the S&L and the manufacturer gave instrumentalism a 2.3 rating; it was rated 2.2 at the printing company; and at the telephone company it was rated 2.1. But, of course, organizations that are primarily instrumental do exist. For example, an instrumental ethical climate could be quite appropriate for a loosely controlled organization in which members—such as salespeople who work on a commission basis—function largely on their own; just as caring climates might be expected to predominate in organizations with human services missions; and firms where resources are scarce might have efficient climates.

The manufacturing plant stressed laws and codes, which received a mean importance rating of 3.6. To a lesser extent, it emphasized rules, which were rated 3.2 in importance. The mean for the importance of caring was 3.0 at this company. The relatively low emphasis on rules may have resulted from the plant's recent reorganization: Literally, the rules had changed. For most of its history, the plant had been organized according to traditional functional departments, but in the year before the survey was conducted, it had converted to a system of “business teams” organized by product. One of the explicit goals of the restructuring was to spur flexibility and innovation by reducing reliance on internal rules and standard operating procedures. In our sample, the
S&L had the most emphasis on rules—they were rated 3.7—and on laws and codes, which it rated 3.8; it ranked caring at 2.9. The telephone company had an environment that was similar—rules were rated 3.3, laws-and-codes 3.3, and caring 2.8—but not as extreme as that of the S&L.

ENVIRONMENTAL CHANGE

Ethical climates, although relatively enduring, are not static. Note that two organizations in our sample—the S&L and the telephone company—function in environments that until recently were highly protected by government regulations. In this heavily regulated setting, their rules-based ethical climates made a great deal of sense. But since deregulation has resulted in both industries’ becoming much more market oriented than they were, we may anticipate that the ethical climates in these industries will shift accordingly.

Indeed, an anecdote suggests that this shift in climate is already taking place. Recently, a telephone company service representative chose to cut off service to a delinquent account—a decision that, under normal circumstances, would be routine. In this case, however, the decision almost cost the company its largest commercial client. The chief executive of the commercial firm happened to be married to the target of the telephone company’s action—a fact that was known and appreciated by the service representative who ordered her telephone disconnected. During a hastily called meeting to plan how to salve the chief executive’s rage, the customer service rep defended his decision to cut off her service. “It was the right thing to do,” he argued. “The rules are clear in this case—she didn’t pay, so I cut off the line. It shouldn’t matter who she is; we are the phone company!” The vice-president for marketing disagreed, saying, “We have to look out for our business, and if that means special consideration for important clients, so be it.” Ethical decision making based strictly on rules was feasible when government regulations meant that customers were not free to select telephone service suppliers; in those days, no matter how angry a customer might be, he or she did not have the option of withdrawing business. Now that the market includes competition, however, the ethical decision criteria have become more utilitarian.

ALTERING THE ETHICAL CLIMATE

We hope that our readers find it interesting to learn about the ethical climates of the organizations that we surveyed using the questionnaire. But the canny executive is sure to be wondering how such descriptions apply to his or her organization, and how the information we collected might be useful. For the executive who wishes to create an environment in which issues of right and wrong are taken seriously (and we don’t presume that this includes all executives), our questionnaire can be a useful tool.

The questionnaire may be administered to the employees, and analyzed either in-house or with the aid of an outside consultant. In either case, it is crucial that the employees be assured that results are reported in aggregate and that individual responses are strictly anonymous: If workers believe that top management will see their responses, they may be inhibited from giving candid answers. Another point that needs to be emphasized when the questionnaire is given to the employees is that they should respond according to what they feel the ethical climate actually is, and not according to how they think it should be. Questionnaire results are intended to provide management with an assessment...
of what the ethical climate of the organization is at the time that the questionnaire is administered. Management can then determine whether the firm's ethical climate fits with their personal values, and with the strategic aims of the company.

Each ethical climate poses specific hazards, which may develop either from behavior that is consistent with the climate, or from behavior that deviates from it. Since people generally behave as they are expected to do, a firm faces higher risks when problems that develop stem from behavior that is consistent with its climate. For example, a rules-oriented climate that plays down the importance of the employee's individual judgment could lead to misinterpretation or conflict between various rules and regulations. A climate that is low on caring could create an environment in which employees are treated in callous and potentially illegal ways; such a climate may lower motivation and increase the turnover rate. Conversely, an employee of a caring organization, when faced with the ethical decision of offering a bribe or losing a contract, may take the illegal course; the employee may reason that he or she ought to give the bribe since the contract would help the people who work for the firm.

Flagrant types of crime, such as fraud and outright deception, may be most likely to occur in self-interested climates that stress instrumentality - that is, getting ahead - at the expense of caring and rules. On the other hand, there are sometimes important advantages to a little instrumentalism. At the savings and loan institution, the new CEO expressed dissatisfaction with the low level of instrumentalism he found in his firm. Like many S&Ls, this one was engaged in a fevered battle with the commercial banks, and the CEO believed that his employees had to change their attitudes about selling money and services in order for the firm to survive.

LEARNING FROM THE QUESTIONNAIRE

Management needs to form an impression of the particular ethical risks that the firm is likely to face, and to compare this impression with the firm's ethical climate as assessed by the questionnaire. These risks could depend on the nature of the company's environment, its industry, or the company itself. For example, a multinational firm would have more reason to be concerned about bribery than would a small, regional firm; a chemical firm might be especially attentive to ecological toxicity.

Moreover, as the market changes, so do the risks to the firm; but the firm's ethical climate may lag behind, becoming increasingly ill-suited to the new environment. At both the telephone company and the S&L we studied, the chief executives felt that the ethical climate of their firms did not match the demands of the industries' newly competitive environments. In another example, Motorola has an extensive, written code of ethics, which is...
appropriate for a rules or a laws-and-codes oriented climate. However, Motorola recently began implementing an aggressive, participative management program for which an independent climate would be more fitting. It is possible that the clash between these two approaches may diminish the effectiveness of both. Learning what the firm's ethical climate is can be the first step toward the implementation of change.

Once the questionnaire results are known, they must be appraised and critiqued — the second step in using the questionnaire. Management needs to consider whether the results seem valid. If they do, what are the implications of the climate for operations, missions, and goals? At the conclusion of this step, management should have accomplished the following things: identified the firm's values, priorities, and decision-making processes; made note of ethical problem areas; become aware of potential conflicts between the ethical climate and company goals; and designed a strategy for changing or strengthening the climate.

The final step is the implementation of programs based on the findings of the first two steps. Perhaps the ethical climate is found to be appropriate and effective — in that case, nothing need be done. To give one instance, an accounting firm might be revealed to have a pronounced laws-and-codes climate, which is appropriate in light of the extent to which accountants are governed by governmental regulations and professional standards. Perhaps, at another firm, the climate is fitting but requires strengthening: For example, the accounting firm could have a laws-and-codes climate, but subjects might have indicated that the company did not hold those values very firmly. At yet another accounting firm the climate might be inappropriate and need to be changed — it might, for example, have a caring climate, in which interpersonal relationships rather than abstract standards govern behavior.

Management can strengthen and change the ethical climate through education and training in ethical decision making; revision or development of a formal corporate code of ethics; changes in monitoring and supervision; and alterations in company policies, procedures, manuals, performance objectives, selection processes, and incentive structures. As in the earlier stages, these methods can be applied solely in-house, or with the assistance of outside consultants.

**EFFECTIVENESS**

Although the climate assessment procedure may sound prescriptive, the executive should always bear in mind that there is no one best ethical climate: Firms can be ethical in many ways. However, the effectiveness of an ethical climate has important implications for the ethical behavior of the organization. Effective climates may contribute to the quality and regularity of employees' ethical choices; ineffective climates may foster lapses in organizational control over employees' actions, or lead to predictable errors in the ethical decisions that employees make.

A key factor in effectiveness is a good fit between the organization's ethical climate and its strategy; moreover, the enforcing mechanisms and decision-making processes must suit the climate. For example, an extensive, written code could be quite effective in a rules-oriented climate, but might be out of place in a caring climate. Similarly, training that emphasizes utilitarian reasoning would likely be more successful in a caring than a professional climate. The decision-making process implied by a laws-and-codes climate requires obeying principles that were developed by external organizations — and thus necessitates a
strong legal function within the organization. Although the rules climate in many ways resembles the laws-and-codes climate, the principles to be followed in the rules climate are centralized and internal, so in such a climate the human resources or operations management area should have a stronger voice in the management of ethics. Finally, the results of our survey indicate that a subunit's place in the total organizational structure has implications for its ethical climate: At the savings and loan association and also at the manufacturing plant, the employees at the home offices reported less emphasis on laws, codes, and rules than did the employees at the branch offices. Perhaps control by formal mechanisms becomes more necessary when direct supervision by top management is not feasible.

No matter what ethical climate is most appropriate for a given firm, consistency and clarity are crucial to its effectiveness. Management needs to decide what values it seeks to champion, and what decision-making processes it will promote in order to support those values. Employees cannot behave as management wishes them to unless they know what management expects of them, and how they can meet these expectations. As we saw in Johnson & Johnson's handling of the Tylenol case, clarity and consistency of ethical norms and processes facilitate rapid decision making that is consonant with management's espoused principles.

The existence of distinct ethical climates has clear implications for controlling ethical behavior in organizations—a activity in which firms are taking more and more interest. Learning what the current climate is constitutes the first crucial step toward making the climate as appropriate and effective as it can be.

SELECTED BIBLIOGRAPHY

John Rawls’s A Theory of Justice (Belknap Press, 1971), which looks at ethics from Plato through modernity, is perhaps the definitive work on ethics. Michael Keeley’s article “A Social-Justice Approach to Organizational Evaluation” (Administrative Science Quarterly, June 1978) focuses on the question of how companies should behave.

Our ethical measurement scale is based on the theories of several authors. Lawrence Kohlberg, in The Philosophy of Moral Development (Harper & Row, 1981), describes how people learn to make ethical judgments. Robert Merton, in Social Theory and Social Structure (Free Press, 1968), and Alvin Gouldner, in “Cosmopolitans and Locals: Toward an Analysis of Latent Social Roles” (Administrative Science Quarterly, December 1957 and March 1958), discuss the sources of values—individuals, other groups and organizations, or society as a whole—that people may use when they make choices that affect others.

Bart Victor and John Cullen discuss the ethical climate concept in full detail in “The Organizational Bases of Ethical Work Climate” (Administrative Science Quarterly, March 1988). Readers who are interested in using the Ethical Climate Questionnaire © may contact the authors at their respective universities.

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