

ETHICAL CLIMATE IN ORGANIZATION AND EMPLOYEES ACCEPTANCE OF CORRUPTIVE RATIONALIZATIONS

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Abstract

The aim of this research was to examine the relationship between the organizational ethical climate and the level of employees' acceptance of certain types of corruptive rationalizations. The ethical climate refers to the perception of ethical criteria and practices an organization applies to determine what constitutes acceptable work behavior (Victor & Cullen 1988). Previous studies indicate the link between certain types of organizational ethical climate and employees' engagement in corruption (Gorsira et al., 2018; Stachowicz-Stanusch and Simha, 2013). Corruptive rationalizations are defined as self-serving attempts to legitimate ethically questionable behavior (Ashforth & Anand, 2003). On an ad hoc sample of 306 employees from different organizations in the Republic of Serbia, an online questionnaire was applied for data collecting on the perception of the organizational ethical climate. ECQ (Victor & Cullen, 1988) with 36 items was administered to estimate the presence of seven types of ethical climate with Cronbach's α ranging between 0.69 to 0.85. Kopter-2 (Majstorovic, 2011; $\alpha = 0.72$) with 18 items was applied to measure preference of six corruptive rationalizations measured here – denial illegality, denial responsibility, denial victim, denial injury, social weighting and appeal to higher loyalties. MRA reveals results indicating the perception of an egoistic ethical climate ('Self-interest') as a significant predictor of increased preference of four of six types of corruptive rationalizations (denial illegality, denial responsibility, social weighting and appeal to higher loyalties). In addition, increased perception of the 'Company profit' climate predicts increased acceptance of the 'Denial victim' rationalization. All other types of ethical climate predict either diminished preference for any form of corruptive rationalization or they are unrelated to them. It should be emphasized that ethical climates from the 'Benevolence' cluster such as 'Social responsibility', 'Friendship', and 'Team interest' predict rejecting 'Denial responsibility', 'Denial injury', and 'Social weighting' as rationalizations of a corruptive act. It was concluded that some types of ethical climate support corruption. If the typical decision-making criterion in an organization is perceived to be individual and local, and if the dominant ethical criterion is perceived to be egoism, then this organizational context probably generates employees' acceptance of justification of their corruptive intentions or acts. Results also indicate that 'Personal morality' and 'Organizational rules and regulations' types of ethical climate are unrelated to the preference of any kind of corruptive rationalization. The importance of organizational interventions, such as promotion of social responsibility, friendship and team interests in the anti-corruption campaign, is discussed.

Keywords: *Ethical climate, organizations, corruptive rationalizations, employees.*

1. Introduction

Of the 180 countries reviewed, Serbia ranks 96th in the corruption perception index in 2022 (Transparency International, 2022). It is difficult to alter country-level factors of corruption, and macro-level explanations may not be useful in designing anti-corruption measures (Rose-Ackerman, 2010). Hence, the present study examines relations of organizational ethical climate and employees' engagement in corruption by accepting corruptive rationalizations (e.g. Majstorović, 2012; Nahartyo & Haryono, 2018).

1.1. Ethical climate and corruptive rationalizations

It is common knowledge that individual, group and organizational factors constantly influence employees' organizational behavior. In this study, we look for an insight into how the ethical climate, as an organizational factor, affects employees' readiness to accept corruptive rationalizations. The significance of such insight may be in considering the acceptance of corruptive rationalizations as an

indicator of corruption among organizational members. The ethical climate refers to 'the shared perception of what is correct behavior and how ethical situations should be handled in an organization' or as 'prevailing perceptions of typical organizational practices and procedures that have ethical content' (Victor & Cullen, 1988). The significant impact of an organizational ethical climate on employees' behavior is reported by much research (e.g., Cullen et al., 2003; Martin & Cullen, 2006; Newman et al., 2017). These effects can be explained by employees' affective identification with an organization, by moral disengagement (Pagliaro et al., 2018), or by the influence of ethical leadership at work (Kia et al., 2019). One of the detrimental outcomes that the ethical climate may cause is the occurrence of corruption among employees (Gorsira et al., 2018). According to the original theoretical model of organizational ethical climate (Victor & Cullen, 1988), two dimensions intersect – the ethical criterion for organizational decision making and the locus of analysis used as a referent in ethical decision making. The first dimension has three criteria (egoism, benevolence, and principle), while the second has three loci representing sources of moral reasoning (individual, local, and cosmopolitan). In the context of egoism (maximizing self-interest), the loci of analysis define three types of ethical climate considering the level of interest: Self-interest, Company profit, and Efficiency. In the context of benevolence (maximizing common interests), considering non-members of an organization, organizational collective or other constituencies outside the organization, the loci produce Friendship, Team interests, and Social responsibility. Depending on the source, principle produces Personal morality, Company rules and procedures, and Laws and professional codes. Later validation of this model provided evidence of the existence of seven types of ethical climate (Cullen, Victor, & Bronson, 1993), which were used in this study. As the ethical climate theory proposed, empirical studies confirm that an ethical climate is a particularly relevant organizational factor explaining a wide range of unethical decisions of employees (Kish-Gephart et al., 2010), including negative organizational outcomes (Martin & Cullen, 2006). One of those unethical decisions is an engagement in corruption, which is defined as the "misuse of authority for personal, subunit and/or organizational gain" (Ashforth & Anand, 2003, p. 2). Three factors must be present for an employee to engage in corrupt behavior – motivation, opportunity, and rationalization (Mayhew & Murphy, 2014). Individuals use corruptive rationalizations in order to justify corruptive behavior, and to overcome the unpleasant state caused by the discrepancy between the decision and personal ethical standards (e.g. Ashforth & Anand, 2003; Anand et al., 2004), the condition called ethical dissonance or moral stress (Majstorović, 2012). Ashfort & Anand (2003) identified nine types of corruptive rationalizations. Six of them were measured in this research (Majstorović, 2012, pp. 60-61): (1) Denial illegality (a corrupt act is rationalized by denial of the illegality through criticizing the quality or application of the law in practice), (2) Denial responsibility (avoidance of responsibility and transferring it to others or common practice), (3) Denial injury (minimizing the consequences of the act in the sense that the damage caused to the company is not that significant), (4) Denial victim (denying the importance of the damage to the previously depersonalized person), (5) Social weighting (occurs when an actor compares their act with others whose actions they evaluate as far more immoral), and (6) Higher loyalties (sacrificing individual or universal values in order to "protect" the group). Hence, in many organizations, corruption is considered to be "normal", which occurs when corruption is accepted and practiced daily (Ashforth & Anand, 2003). The concept of normalization of corruption provides a framework for explaining the persistence of corruptive behaviors, even when individuals were not stereotypical criminals (ibid, 2003; Fleming et al., 2022). Individuals learn these neutralization techniques through interaction with peers (Hauser, 2019), and the magnitude of corruption affects how they provide rationalization (Nahartyo & Haryono, 2018). Moreover, it is not only corrupt practices that are normalized "but also the social reaction to them" (Fleming et al., 2022, p. 216). The results of one study on a sample of 145 respondents (Nahartyo & Haryono, 2018) in which 2x2 between-subject factorial experimental design was used, indicate there is a positive effect of rationalization on individuals' "subsequent offense". "When people think that their behavior falls short of common ethical standards, they justify the legitimacy of their actions" (ibid, 2018, p. 175).

Previous studies of the ethical climate effects on employees' ethical behavior have unequivocally shown that the perception of an egoistic ethical climate is an organizational context in which all types of corrupt rationalizations are accepted (e.g. Majstorović et al., 2020) and even all corrupt behaviors are manifested (e.g. Stachowicz-Stanusch & Simha, 2013; Gorsira et al., 2018). In addition, other ethical climates show different trends in these relationships. Some findings suggest that an ethical climate based on the criterion of benevolence is positive, while climates based on the criterion of principles are a negative predictor of organizational corruption (Stachowicz-Stanusch & Simha, 2013). Contrary to this, there are findings indicating that the ethical climates of friendship and team, of rules and procedures, and of social responsibility contribute to the tendency to reject three of the six measured corrupt rationalizations (Majstorović et al., 2020). It seems that an "Ethical climate may shape employees' personal and social norms on corruption" (Gorsira et al., 2018, p. 4). When it comes to the strategy of

prevention of corrupt behavior, the authors agree that promoting a climate that is not egoistic, can influence the emergence of more ethical behaviors (Stachowicz-Stanusch & Simha, 2013; Gorsira et al., 2018; Majstorović et al., 2020). In addition, Hauser (2019) indicates that employees who have undergone anti-corruption training are more likely to reject justifications for corrupt practices than those who have not. Based on these findings, we assume that an egoistic ethical climate in organizations generates employees' tendency to accept rationalizations in order to justify their corrupt intentions and behavior.

1.2. Objectives

The objective of this research was to determine the importance of the dominant organizational ethical climate for the employees' acceptance of corruptive rationalizations. This includes detecting the type of the ethical climate as well as its specific measures as predictors of the acceptance of certain corruptive rationalizations.

2. Methods

2.1. Participants and procedures

The data were gathered from an on-hand sample of 306 employees from the Republic of Serbia. The participants were mostly women (90%) with an average age of 37.9, and with different organizational roles and work tenure. They were asked to anonymously fill out an online questionnaire via GoogleForm platform during the year of 2021.

2.2. Variables and instruments

The organizational ethical climate refers to 'prevailing perceptions of typical organizational practices and procedures that have ethical content' and it is comprised of nine types as a result of the intersection of criteria and sources of moral reasoning dimensions (Victor & Cullen, 1988). Corruptive rationalizations represent an individual's corruptive strategies aimed to justify unethical intentions and acts or, at least, to avoid condemnation from others (Majstorovic, 2012). The organizational ethical climate was measured by a revised version of the ECQ with seven types of ethical climate and with internal consistency of their measures ranging between .69 and .85 (Cullen, Victor & Bronson, 1993). The level of acceptance of six corruptive rationalizations was estimated by the questionnaire Kopter-2 (Majstorovic, 2011) comprised of 18 items and with the internal consistency of .72 for the whole scale (Majstorovic, 2020).

3. Results

Pearson correlations presented in Table 1 indicate a systematic relationship between the presence of seven types of ethical climate and the level of acceptance of six types of corruptive rationalizations. We can notice that, as employees perceive more elements of the 'Self-Interest' climate in their organization, they become more willing to accept four of six types of measured rationalizations. In addition, if profit and efficiency govern an organizational work ethic, employees are ready to deny illegality of corrupt intentions and acts, and they intend to demonstrate loyalty to higher unethical interests. Equally important is to notice that five remaining types of ethical climate are either unrelated or negatively related with three types of corruptive rationalizations – denying responsibility, denying injury and social weighting.

Multiple regression analyses (Enter method) reveal results indicating that employees' perception of the ethical climate in their organization predicts the acceptance/refusal level of four types of corruptive rationalizations (Table 2). More specifically, 'Self-interests' ($\beta = .15$, $t(304) = 2.30$, $p < .022$) and 'Profit & Efficiency' ($\beta = .15$, $t(304) = 2.25$, $p < .025$) ethical climates significantly predict the acceptance of 'Denial Illegality' corruptive rationalization. The 'Denial Responsibility' rationalization was predicted by 'Self-interests' ethical climate ($\beta = .14$, $t(304) = 2.14$, $p < .033$), as this type of ethical climate was the only predictor of 'Social Weighting' corruptive rationalization ($\beta = .14$, $p < .031$). The 'Friendship & Team' ethical climate significantly predicts refusal of the 'Social Weighting' rationalization ($\beta = -.17$, $t(304) = 2.11$, $p < .036$). Finally, the 'Self-interests' ethical climate ($\beta = .21$, $t(304) = 3.18$, $p < .002$) was a significant predictor of the 'Higher loyalty' rationalization acceptance. These findings confirm our expectation that an egoistic ethical climate in an organization ('Self-interests' type) represents the most suitable context for employees to accept corruptive rationalizations.

Table 1. Pearson correlations between types of ethical climate and corruptive rationalizations (N=306).

	Denial Illegality	Denial Responsibility	Denial Injury	Denial Victim	Social Weighting	Higher Loyalties
Self-Interest	,175**	,218**	,053	,091	,215**	,162**
Profit & Efficiency	,121*	,027	-,039	,077	-,034	,119*
Friendship Team	-,057	-,229**	-,114*	,055	-,228**	,040
Social Responsibility	-,041	-,142*	-,162**	-,035	-,137*	,059
Personal Morality	,053	-,141*	-,045	-,046	-,042	,069
Org Rules Procedures	,016	-,032	-,058	-,006	-,110	,089
Laws Prof Code	,074	-,127*	-,152**	-,023	-,067	,087

** . Correlation is significant at the 0.01 level (2-tailed). * . Correlation is significant at the 0.05 level (2-tailed).

Table 2. MRA of seven types of ethical climate, DVs are corruptive rationalizations (N=306).

	R	R ²	F	df1/2	p
Denial Illegality	,252	,063	2,879	7/298	,006
Denial Responsibility	,289	,084	3,880	7/298	,000
Denial Injury	,190	,036	1,600	7/298	,135
Denial Victim	,194	,038	1,668	7/298	,116
Social Weighting	,266	,071	3,237	7/298	,003
Higher Loyalties	,237	,056	2,525	7/298	,015

4. Discussion

The main goal of this study was to analyze the relationship between employees' perception of the ethical climate in their organizations, on one hand, and the estimated level of acceptance/refusal of various kinds of corruptive rationalizations, on the other hand. Our results clearly indicate that the ethical climate named as 'Self-interest' represents the most suitable context for accepting the justifications of corrupt intentions and acts. The perception of a 'Self-interest' ethical climate includes awareness that in such an organization everyone is for him/herself, that everyone takes care of his/her own interests first, protecting only what is best for them alone. Instead of admitting that they behave unethically, employees in such an ethical climate are prone to deny illegality since the law is not impartial and its application is inconsistent. Furthermore, employees in the 'Self-interest' climate tend to avoid personal responsibility for the consequences of their unethical actions and prefer to transfer such responsibility to others. They also recall such behavior as a common local practice or less immoral than common local behavior of others. Finally, this kind of climate also predicts employees' readiness to sacrifice universal principles and values and to justify their unethical behavior as being beneficial for the group and its interests (Stachowicz-Stanusch & Simha, 2013; Gorsira et al., 2018). Our results also indicate that the egoistic ethical climate with the loci on an organization ('Profit & Efficiency') is associated with readiness of employees to justify the company's unethical decisions by criticizing the law and its application. On the contrary, in the climate where people make decisions to protect their common interests ('Friendship & Team'), we find the tendency among employees to reject the justification by qualifying others as being far more immoral (Majstorović et al., 2020). These findings suggest that, if organizational management wants to have control over employees' attitudes towards ethical issues, they should undertake an intervention that will promote group cohesion and positive attitudes towards common goals and interests. Otherwise, egoistic ethics, either on a personal or organizational level, will probably generate justifications for personal misbehavior or for organizational unethical business practices.

5. Conclusions

Empirical findings of this study show that the organizational ethics climate perceived by employees as egoistic will probably contribute to establishing cognitive strategies to justify individual or collective unethical behavior. The ethical climate perceived as friendship and team interests protective should have the opposite effect in terms of rejecting corruptive rationalizations.

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