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## An examination of the effect of ethical climate on ethical optimism and organizational commitment

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AN EXAMINATION OF THE EFFECT OF ETHICAL CLIMATE ON ETHICAL  
OPTIMISM AND ORGANIZATIONAL COMMITMENT

by

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A dissertation submitted in partial fulfillment  
of the requirements for the

**Doctor of Philosophy Degree in Hotel Administration**  
**William F. Harrah College of Hotel Administration**

**Graduate College**  
**University of Nevada, Las Vegas**  
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## ABSTRACT

### **AN EXAMINATION OF THE EFFECT OF ETHICAL CLIMATE ON ETHICAL OPTIMISM AND ORGANIZATIONAL COMMITMENT**

by

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The issue of unethical behavior in business is a serious concern with practitioners and researchers. The restaurant industry in particular, is vulnerable to unethical actions due to a variety of variables including the availability of large sums of cash, the presence of alcohol, and the late hours of operation. There is a paucity of ethical research in the restaurant industry and this study contributes to that body of knowledge.

In this study, the effect of ethical climate in the restaurant industry on ethical optimism and organizational commitment was examined in ten restaurants. The results show that management actions have significant direct effects on ethical climate and organizational commitment and significant indirect effects on ethical optimism.

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## CHAPTER 1

### INTRODUCTION

Unethical behavior in business is a significant problem for all members of society. Ethical practices and ethical behaviors of individuals within organizations are of serious concern to practitioners and researchers (Cooke, 1991; Kidder, 1992; Smith, J. 1990; Smith, R., 1990). Corporate wrongdoing has cost individuals millions of dollars along with their careers (e.g. Arthur Anderson, Enron, Tyco, etc.). Individuals are concerned about the inappropriate behavior of corporations, and managers are also concerned about the ethical actions of their employees (Romani, 1998).

In a classic study of business ethics, Baumhart (1961) identified the foremost ethical problems business people desired to eliminate: (1) gifts, gratuities, bribes, and “call girls,” (2) price discrimination and unfair pricing, (3) dishonest advertising, (4) miscellaneous unfair competitive practices, (5) cheating customers, unfair credit practices, and overselling, (6) price collusion by competitors, (7) dishonesty in making or keeping a contract, and (8) unfairness to employees and prejudice in hiring. Four of these eight ethical problems are applicable to the restaurant industry.

The hospitality industry in general, and the restaurant industry specifically, present many opportunities for unethical behavior (Reynolds, 2000). The need for employees to work, hoping to receive gratuities based upon the whim of the customer, is

but one example of a situation in which employees may be tempted to behave unethically. Other situational variables contributing to the potential for unethical behavior are the presence of alcohol, late hours of operation, and large sums of cash (Reynolds, 2000).

As the restaurant industry grows, so do concerns for related ethical issues. These concerns are evidenced by a small but growing body of research developed over the past decade (see Hall, 1993; Reynolds, 2000; Upchurch, 1993, 1998; Weinstein, 1999).

Unethical acts by restaurant industry employees manifest in several areas. One of these areas is internal theft. The average annual theft per employee is \$218 according to the Fourth Annual Survey of Restaurant and Fast Food Employees (Restaurants, 1999). Other unethical acts committed by restaurant employees are; (1) charging guests for food or drinks not served to them, (2) sabotaging products served to guests by contaminating them with bodily fluids, (3) hiding service charges applied to guest checks so that the server may receive two gratuities, (4) drinking alcohol while working, (5) using or selling drugs in the workplace, (6) not charging for products served to guests, (7) stealing products from the restaurant, such as food and alcohol, (8) stealing tips from other employees, (9) accepting bribes from purveyors to “push” their products, (10) changing credit card charges after the guest has signed the voucher, and (11) intentionally destroying restaurant property to sabotage management (Kincaid, 2002).

Both managers and employees in the restaurant industry may perform unethical acts. If individual employees choose to act unethically, their behavior may adversely impact the organization (McDonald & Zepp, 1990). According to a study conducted by Loss Prevention Specialists employees perceived themselves as follows, (1) dishonest

13% - will attempt theft regardless, (2) basically honest 21% - will never steal, and (3) 66% - will steal if others do so without repercussions (Kessler International, 1999).

While some of the unethical behaviors described may be attributed to a restaurant company, the company may be distinct from its employees in that only individuals choose to behave unethically, whether the behavior is supported or unsupported by the company. Loucks (1987) states that it is not the company that behaves ethically or unethically, but rather the individuals employed by the company who are responsible for ethical behavior. "Business decisions are made by individuals or by committees; thus the ethics of business in reality are the ethics of the individuals who make business decisions" (Fritzche, 1991, p. 842).

Studies of the ethical climate in business settings have shown that work climates can be a significant factor in shaping the attitudes and behaviors of employees (Clark & Hollinger, 1983). Results of these studies suggest a link between the ethical climate of an organization and the behavior of employees (Cullen, Victor, & Stephens, 1989). Such research illuminates the challenge for restaurant companies to establish and maintain organizational climates that encourage ethical behavior. To meet this challenge, restaurant professionals and researchers must know more about the ethical climate and its relationship to institutional, personal, and behavioral variables. Understanding the characteristics of an ethical climate can help restaurant professionals design and implement programs to raise awareness of ethical issues and improve the ethical behavior of employees and management.

Victor and Cullen (1988) have conceptualized ethical work climate as a multidimensional construct. Ethical work climates consist of the "prevailing perceptions

of typical organizational practices and procedures that have ethical content” (Victor & Cullen, 1988, pg. 101). As such, ethical climates are affected by organizational normative systems such as policies, procedures, rewards, and control systems. The perceived ethical climate helps organizational members identify which issues have ethical content. Thus, the perceived ethical climate aids the individual in determining issues that are ethically pertinent and the criteria that should be used to understand, evaluate, and resolve those ethical issues (Singhapakdi & Vitell, 1991).

Many researchers believe that the ethical climate of the organization may influence the ethical behavior of employees (Deshpande, 1996a; Victor & Cullen, 1990; Wimbush & Shepard, 1994). Corporations that do not evaluate and attempt to positively affect the ethical climate of their organization may face undesirable consequences related to the profitability and viability of their business (Kaplan, Dakin & Smolin, 1993). Organizations without strong ethical climate, and the means by which to promote an ethical work climate, present an opportunity for questionable behavior. Moreover, researchers suggest unethical actions of managers may even be encouraged in some organizations (Lindsay, Lindsay & Irvine, 1996; Jackall, 1988).

Among the factors that can influence ethical behavior is the set of practices of successful members within the organization. Previous research by Hunt, Chonko and Wilcox (1984) and Vitell and Davis (1990) has indicated that examination of the relationship between success and unethical behavior is critical to the organization. Successful managers and employees serve as role models within the organization (Paine, 1994). Any unpunished unethical behavior sends a message to other organizational members that unethical behavior is acceptable. Conversely, if organizational members

perceive that ethical behavior is necessary for success, such a perception, referred to as “ethical optimism,” will be a strong motivator for members to engage in ethical behavior (Hunt, Chonko & Wilcox, 1984; Vitell & Davis, 1990; Deshpande, George, & Joseph, 2000).

Another influence upon the ethical behavior of restaurant employees may come from the type of compensation received. In studies of commissioned salespersons, researchers have found climates ripe for ethical abuse (Bellizzi & Hite, 1989; Honeycutt, Glassman, Zugelder, & Karande, 2001; Laczniak & Murphy, 1993). Compensation for hourly employees in the restaurant industry may be divided into two primary categories, tipped and non-tipped. That is, some employees receive minimum wage as their primary source of income and are expected to supplement that wage with tips received from guests while other employees receive a greater hourly wage but do not receive tips. Those employees relying primarily upon tips for the bulk of their income are food servers, bartenders, cocktail servers, and bussers. Employees relying primarily upon the hourly wages paid by the restaurant are kitchen personnel including cooks, dishwashers, and prep cooks. Managers may or may not also be included in the group considered to rely upon commission for compensation. Performance bonuses based upon predetermined standards of operation for the business may tempt managers to engage in unethical practices.

#### Purpose of the Study

The purpose of this study was to assess the ethical climate of restaurant operations, as perceived by employees and management. This study sought to determine

if different types of ethical work climates exist within the restaurant industry.

Specifically, this study addressed whether the type of job performed affects employee perceptions of the ethical work climate of the restaurant.

This study was conducted in a multi-unit restaurant organization, a type of organization not included in prior research of ethical climates. It focused on four areas. First, this study examined the perceived ethical climate within each restaurant by position (job type). The study sought to determine if there are perceived ethical climate type differences between job groups. Second, the study examines if perceptions of the ethical climate differ by the type of compensation received. Ethical climate was measured using the climate types identified by Victor and Cullen (1988). The third area of study is how ethical climates affect organizational commitment. The ethical approaches that underlie the typology were used to test the proposition that particular types of ethical climates influence different types of organizational commitment.

The final factor to be studied is how ethical climate shapes the perceptions of successful employees and managers within the organization. This study examined the influence of different dimensions of ethical climate on perceived ethical practices of successful employees and managers (ethical optimism). Exploring the level of ethical optimism within the organization at the individual level will provide valuable insight for practitioners. Practitioners armed with this information can adapt their organization's present strategy to the functional needs of its members.

This study has theoretical and practical significance. On the theoretical side, the partial test of Victor and Cullen's ethical climate theory (in a multi-unit restaurant organization) will provide additional empirical evidence concerning the existence of

different types of ethical climates within an organization. The questionnaire used in this study may be used as a basis for comparing ethical climates in organizations and their subunits.

One of the areas of interest in this study is how compensation may affect the perception of ethical climate. Thus, attention was focused upon how type of compensation affects the ethical climate perception of the different groups and the group's level of ethical optimism. Perception of the ethical climate of the organization and the sub-unit "may influence the types of ethical conflicts considered, the process by which such conflicts are resolved, and the characteristics of the resolution" (Victor & Cullen, 1987, pg. 55). Consequently, climate has been theorized to be a key link between the organization and the individual (Field & Abelson, 1982).

The study also provides insight into the relationship between ethical climate and organizational commitment. Existing research suggests that organizational commitment is negatively related to labor turnover (Allen & Meyer, 1990) and the intent to turnover (Ferris & Aranya, 1983). Understanding the impact of the organizational ethical climate upon organizational commitment will enable organizations to adjust how they communicate ethical values and behaviors to employees and increase the perception of the ethical climate.

The practical significance of this study is that ethical climate may be a significant factor in shaping attitudes and behaviors of employees (Fritzche & Becker, 1984). Knowledge of the perceptions of appropriate behavior within the organization, or organizational subunit, and how ethical issues are managed within the organization will prove useful in determining the degree to which organizational values are shared across



different organizational locations and levels. This information will prove beneficial to organizations because an organization's ethical climate defines the issues considered to be ethically important. Additionally, the study will show how corporate values are embraced throughout the organization. The study should help managers to better understand how to manage their ethical climates to increase organizational commitment.

### Organization of the Study

The remaining portions of this dissertation are organized into three chapters. Chapter 2 provides a detailed review of the extant literature. In addition to describing prior research in the relevant areas, it also provides discussion of the core theories upon which the study of ethical work climate, ethical optimism, and organizational commitment are based. Finally, the research questions and proposed relationships are specified. Chapter 3 explains and justifies the methodology that will be used to answer the research questions. The sample is characterized, instrumentation defended, and the type of statistical analysis is described. Chapter 4 consists of the results of data analysis. The discussion of these results and their implications will be included in Chapter 5.

## CHAPTER 2

### REVIEW OF LITERATURE

This review of literature will provide the theoretical and empirical framework for this study. In the first part of this chapter, I will discuss the moral philosophy providing the theoretical basis for the ethical variables to be studied. Research on ethical climate will be reviewed with an emphasis on Victor and Cullen's (1987, 1988) development of the five dimensions of ethical climate. Next, the research on compensation is outlined from the salesmanship literature. Research about ethical optimism and the effects of top management actions on ethical optimism are reviewed from the marketing literature. The chapter concludes with a discussion of organizational commitment.

#### Moral Philosophy

The theoretical bases for the ethical variables (climate and optimism) to be examined in this study are grounded in moral philosophy. Moral philosophy refers to the rules and principles considered by an individual during decision making in order to distinguish between right and wrong (Ferrell, Fraedrich & Ferrell, 2000).

Generally, there are two basic approaches to moral philosophy: teleology and deontology (Ferrell et al., 2000; Fritzsche & Becker, 1984; Williams, 1985; Hunt & Vitell, 1986). Teleological theories emphasize the consequences of an action or practice.

Teleologists posit that rational evaluations of potential consequences guide the behavior of individuals. There are two potential outcomes resulting from this evaluation, that which produces the greatest good for oneself, egoism, and utilitarianism, that which produces the greatest good for the greatest number of people (Mill, 1861). Deontology focuses on proper behavior guided by an application of rules or principles. These rules or principles are designed to uphold certain rights or levels of justice, such as due process and freedom of speech. Below, I will further explain the three moral theories.

### Egoism

Maximization of an individual's exclusive self-interest is the central focus of egoism. Egoists believe that self-promotion is either a learned or innate characteristic of all human beings and, as such, it is morally right for them to pursue their self-interest (Rachels, 1986). Egoism indicates that concern for self is, and rightfully ought to be, first and foremost when considering ethical decisions. Proponents of egoism believe egoistic behavior is a natural and all-encompassing attribute of human behavior, despite the fact that egoism runs counter to social convention in which people are expected to consider the interests of others in making decisions (Beauchamp & Bowie, 1988). Dedicated egoists will stop at nothing to achieve their objectives or to advance their own self-interest, even if engaging in behaviors such as lying, stealing, or cheating is required.

Rachels (1986) describes a type of egoism whereby the egoist may appear to consider the interests of others. Rachels describes this as enlightened egoism. The egoist takes a short-term interest in others to achieve the long-term end of attaining his or her own self-interest. Thus, the enlightened egoist is not merely interested in short-term gratification, but strives to do what is crucial to maximize his or her own long-term self-

interest. Enlightened egoists may exhibit general acts of kindness toward others only if they expect to receive something in return, either immediately or in the future. The egoist's perspective is not to discount the welfare or interests of others completely, but rather to consider the welfare or interests of others only when it may affect the egoist's self-interest.

### Utilitarianism

Differing from egoism, the basic tenet of the second teleological philosophy, utilitarianism, is that an action or practice is right if it brings the greatest amount of good for the greatest number of people. Thus, this philosophy requires that individuals choose the action or practice with the best overall consequences, or choose the action or practice with the least negative consequences for all persons concerned (Rachels, 1986).

Utilitarians are concerned with promoting happiness for the greatest number of people affected, regardless of the self-interest of the individual. In the context of utilitarianism, morality is not the product of a set of rules, but a commitment to pleasing the greatest number of people whenever a decision-making opportunity arises.

### Deontology

Whereas teleology focuses upon the final outcome of an action or practice, deontology emphasizes the motives of an action or practice, regardless of the consequences. Deontologists are inspired to action by an overriding sense of duty, i.e., what ought to be. Obligations arising from a sense of duty provide the impetus for action. Immanuel Kant (1785) put forth that one should act on only those principles he or she, as a rational, sentient being, would prescribe as universal laws applicable to all humankind. Morality therefore, is a matter of adhering to a set of absolute rules, without

exception. Therefore, the rule guides the action or practice of the individual without regard for the final consequence.

Many studies have attempted to isolate the type of moral reasoning utilized in the business world. In 1984, Fritzsche and Becker concluded that the majority of managers employ utilitarian reasoning. Later studies have contradicted these findings indicating business managers prefer deontological reasoning (Brady & Wheeler, 1996; Ferrell et al., 2000). Given the inconclusive results of moral philosophy studies, it seems reasonable to conclude that ethical judgments are influenced by both deontological and teleological assessments (DeConinck & Lewis, 1997). Recent executive behavior; e.g., Worldcom, Health South, etc., clearly indicate the egoistic perspective is alive and well in corporate America.

### Ethical Organizational Climates

Sinclair (1993) suggests one important factor that may influence ethical behavior of employees is the ethical climate of the organization. Ethical climate includes the shared perceptions of what constitutes an ethical issue, how ethical issues should be addressed, and what is considered ethically correct behavior. Many researchers have attempted to establish comprehensive models of ethical work climates (Petrick & Manning, 1990; Reidenbach & Robin, 1991; Victor & Cullen, 1987). Each of these models will be discussed in turn.

The way organizational ethical climates develop and how different climates may be classified, provide a foundation for analysis. Many different types of organizational climates have been the focus of research since the late 1950s. Although no consensus has

been reached on a definition of climate, Schneider (1975) defined climate as “perceptions that are psychologically meaningful molar descriptions that people agree characterize a system’s practices and procedures. By its practices and procedures a system may create many climates” (pg. 474).

Reidenbach and Robin (1991) suggest a five-stage model of corporate moral development. They identified the stages of moral development as (1) the Amoral Organization, represented by an attitude of success at any cost, (2) the Legalistic Organization, focused upon compliance with the law without embracing the spirit of the law, (3) the Responsive Organization, seeks a balance between profits and social duties and obligations, (4) the Emerging Ethical Organization, focused upon the consequences of actions and practices, and (5) the Ethical Organization, whereby decisions are based upon justness and fairness.

Similar to the work of Reidenbach and Robin (1991), Petrick and Manning (1990) developed a model of ethical work climate suggesting six phases of development and maintenance. The most powerful members of the organization determining what is right and wrong and providing punishment for those individuals behaving unacceptably represents the first stage, Social Darwinism. The second stage, Machiavellianism, is depicted by little trust among organization members. Popular Conformity, the third stage, is where the focus is upon individual needs of belonging and group survival. The fourth stage, Allegiance to Authority, identifies employees not behaving autonomously, but rather with the guidance of organizational authorities. Stage five, Democratic Participation, portrays the ethical climate being directed by majority vote. The last stage, Organizational Integrity, “requires respect for justice and the minority rights of

productive and creative individuals; searching for consensus rather than relying on a majority vote” (Petrick & Manning, 1990, p. 86).

Kohlberg (1984) theorized that there are six stages of moral development, two for each of the major categories of ethical theory: egoism, benevolence, and principle. Egoism is depicted by decisions based upon the maximization of self-interest and minimization of harm to self. Benevolence reasoning seeks to maximize joint interests. Loyalty to a code of conduct or standard of behavior is consistent with the principle category of ethical theory. These three ethical standards reflect three major classes of ethical theory: egoism, utilitarianism and deontology (Fritzsche & Becker, 1984).

These three ethical criteria are distinct in light of the fact that they are incompatible with each other. For example, laws and rules do not usually persuade “caring” individuals; individuals who are “principled” are not influenced by the consequences of a given action; and “instrumental” individuals will focus only upon the end result (i.e. the means justify the end). Victor and Cullen (1990) used earlier work done on ethical theory (Fritzsche & Becker, 1984; Williams, 1985), moral development (Kohlberg, 1984), and sociocultural theories of organizations (Schneider, 1983) to investigate the different types of ethical climate within an organization.

Victor and Cullen (1987) used Gouldner’s (1957) cosmopolitan-local construct to identify “the source of moral reasoning used for applying ethical criteria to organizational decisions and/or the limits on what would be considered in ethical analyses of organizational decisions” (page 105). The local-cosmopolitan construct therefore, represents the source the organization considers acceptable or referent, from which

organizational members receive signals regarding what actions the organization considers acceptable.

Gouldner derived his referent groups from role and reference group theories in sociology. Studying roles in social systems, Merton (1957) identified reference groups that were instrumental in shaping the behaviors and attitudes of cohorts. In his studies, Merton distinguished between local and cosmopolitan roles. Local incumbents find important definitions and expectations on how to behave from the social system of the organization to which they belong. Conversely, cosmopolitans look to a social system outside the organization for direction on appropriate behavior. The distinction between the two referent groups is made to show that those embracing local or cosmopolitan roles used different reference groups (internal or external to the organization) as sources to define role expectations.

Building upon the work of Schneider (1983), Victor and Cullen (1987) suggested that different ethical climates exist for different organizations. In their original study (1987), they theorized that there are nine categories of ethical work climate. These climates evolve in a manner similar to Kohlberg's (1984) ethical categories of egoism, benevolence, and principle.

Several similarities exist between Reidenbach and Robin's (1991), Petrick and Manning's (1990), and Victor and Cullen's (1988) models of organizational moral development (Table 1). Each model provides increased understanding of ethical work climates in organizations. However, Victor and Cullen's (1988) model is empirically founded, allowing other researchers to expand upon their work. This study will employ



Victor and Cullen's (1988) model of ethical work climates to classify and describe the respondents' organizations.

Table 1  
Models of Moral Development

Ethical Theory	Kohlberg 1984	Petrick & Manning, 1990	Reidenbach & Robin, 1991	Victor & Cullen, 1988
Egoism	Stage 1 Stage 2	Social Darwinism Machiavellianism	Amoral	Instrumental
Benevolence	Stage 3 Stage 4	Popular Conformity Allegiance to Authority	Legalistic Responsive	Caring
Principle	Stage 5 Stage 6	Democratic Integrity	Emerging Ethical Ethical	Law & Code Rules Independence

Victor and Cullen's (1988) ethical climate constructs align with established ethical philosophies. An instrumental climate falls into the ethical philosophy of egoism. In organizations characterized by an instrumental climate, employees solve ethical dilemmas by focusing upon the organization's profit and/or personal self-interest. The caring ethical climate is similar to Kohlberg's benevolence category. In an organization characterized by a caring climate, the well being of others is of primary concern when employees are solving ethical problems. The ethical climates of rules, law and code, and independence are similar to Kohlberg's principle category.

In organizations characterized by a rules climate, conforming to company rules and policies is the dominant consideration for ethical dilemmas. Organizations characterized by law and code ethical climates focus upon complying with the law or

professional codes of conduct. Last, organizations characterized by an ethical climate of independence expect employees to apply their own personal and moral beliefs in solving ethical problems.

What follows is an explanation of Victor and Cullen's ethical framework, providing both the ethical criterion and locus of analysis.

### Victor and Cullen's Framework of Ethical Climate

Victor and Cullen (1987, 1988) propose that the types of ethical climates existing in an organization or group will influence what ethical conflicts will be considered, the process for resolving such conflicts, and the characteristics of the conflicts or their resolution. As discussed previously, Victor and Cullen hypothesized that organizations may exhibit up to nine distinct types of ethical climate based on two dimensions: locus of analysis and ethical criterion. They theorized ethical climates could be measured based upon individual perceptions of the values and beliefs of an organization. The original nine theoretical climates are identified in Table 2 and discussed below.

#### Locus of Analysis Dimension

Locus of analysis identifies the specific referent group providing the source of moral reasoning used when applying ethical principles to organizational decisions. Victor and Cullen (1987, 1988) suggest there are three referent groups: self, local and cosmopolitan. They are derived from role and reference groups that help shape the attitudes and behaviors of the role members (Merton, 1957). Two of these referents,

Table 2  
Theoretically derived types of ethical climates (Victor & Cullen, 1987; 1988)

		LOCUS OF ANALYSIS		
		INDIVIDUAL	LOCAL	COSMOPOLITAN
ETHICAL CRITERION	EGOISM	Self-interest	Company profit	Efficiency
	BENEVOLENCE UTILITARIANISM	Friendship	Team interest	Social responsibility
	DEONTOLOGICAL PRINCIPLE	Personal morality	Company rules & Procedures	Laws & Professional codes

local and cosmopolitan, are based on Merton's (1957) and Gouldner's (1957) theories of social roles, while the third level, individual, is a group created by Victor and Cullen (1987).

The focal point of the local level is *within* the organization whereas the cosmopolitan level focuses *outside* the organization. The local level speaks towards the role definitions and expectations contained within the social system of which the individual is a part. The cosmopolitan level sources of role definition come from a social system external to the organization. The referent level individual is also external to the organization in that each individual refers to his or her personal morals when addressing ethical issues.

### Ethical Theory Dimension

The ethical theories employed by Victor and Cullen (1987): egoism, utilitarianism and deontology; and the referents: individual, local and cosmopolitan; were cross-classified to form a framework for ethical climates. This integration formed nine theoretical types of ethical climates. Cross-classifying the ethical theories with the referent sources creates the nine types of ethical climates as shown in Table 2.

Victor and Cullen (1987) claim that individuals operating within the sphere of egoism make ethical decisions based exclusively on whose self-interest is paramount. The self-interest climate is personified by individuals who take into consideration only their own self-interest (e.g., increase in income, promotion, etc.). The company profit climate is represented by decisions focused on maximizing the interests of the organization (e.g., return on investment, market share, etc.). Finally, the ethical climate of efficiency places primary concern on the judicious use of resources in the organization (e.g., social, economic). In climates with egoism as the criterion for making ethical decisions, the referent determines whose self-interest is most important. Egoists do not take into consideration anything other than furthering their own self-interests (i.e. maximizing their gains and minimizing their losses).

The context of utilitarianism is used to assist organizational members in identifying the extent of relationships with each other and those external to the organization (Victor & Cullen, 1987). The utilitarian criterion differs from the egoistic in that organizational members are obligated to consider the interests of others rather than their own. Organizational members considering the dignity of others regardless of organizational status, characterize the friendship climate. The team climate emphasizes

cohesiveness with other organization members. The social responsibility climate takes into consideration the consequences of actions on constituencies outside the organization.

Deontological decisions are founded upon well-defined principles. The personal morality climate is where individuals select the principles to be utilized in ethical decision-making. The company rules and procedures climate finds the source of its principles within the organization (e.g., manuals, policies, etc.). Law and code climates seek direction from the legal system or professional associations external to the organization.

As hypothesized by Victor and Cullen (1987) and Kohlberg (1984), utilitarians focus upon what is best for the greatest number of people and are less cognizant of laws, rules, and principles. Conversely, deontologists tend to be less sensitive to the effects of their actions on others, instead focusing upon adherence to principles. Egoists seek only to satisfy their own self-interest regardless of the interests of others. It is posited that since individuals may embrace any of these ethical theories when confronted by an ethical dilemma, groups of people might also be expected to develop relatively distinct forms of ethical climates (Victor & Cullen, 1987; Wimbush, 1991). Organizations or subgroups of organizations may be prototypically utilitarian, deontological, or egoistic.

Victor and Cullen (1987) developed the Ethical Climate Questionnaire (ECQ) to test their model empirically. The questionnaire was comprised of 36 statements describing the nine theorized climates. The ECQ was first tested with 151 participants; utilizing factor analysis, six ethical climates emerged.

In a subsequent study in 1988, Victor and Cullen analyzed 872 responses from four different types of organizations. In this study, exploratory factor analysis produced

five distinct ethical climates. The dimensions of ethical climate identified by Victor and Cullen (1988) were “caring,” “law and code,” “rules,” “independence,” and “instrumental.”

The contributions of Victor and Cullen to ethical work climate research stimulated extensive research on this topic. Although several studies have used self-developed scales to measure the ethical climate construct (Bartels, Harrick, Martell, & Strickland, 1998; Luthar, DiBattista, & Gautschi, 1997), the majority of research has been based on Victor and Cullen’s questionnaire. Researchers have used various versions of the ECQ (e.g. use the entire ECQ, use only some of the items from the questionnaire, or develop a new scale for a particular organization).

#### Ethical Climate Studies

Many researchers have tested the ethical climate construct developed by Victor and Cullen (Table 1). Building upon the earlier work of Victor and Cullen, Gaertner (1991) provided support for the concept of distinct ethical climates, offering that “ethical climate is not merely a function of one’s individual ethical values, but exists independent of one’s values” (p. 219).

The impact of ethical climate on ethical behavior was the focus of a study conducted by Wimbush (1991). In this study, the ethical climate scale created by Victor and Cullen was used in concert with behavioral-oriented vignettes. Wimbush replicated four of the five ethical work climates identified by Victor and Cullen. The items constituting a rules climate did not create a single factor. A new set of four items emerged creating a new and distinct factor from those found in Victor and Cullen’s

research. Wimbush named the new factor “service.” Of the four items creating the service climate, three were from the utilitarian/cosmopolitan theoretical perspective and the remaining item was from the egoism/cosmopolitan perspective. Wimbush explained that this new climate construct emerged because of the type of organization in which he conducted his study, a chain of jewelry stores.

“Since a climate, by definition, consists of employees’ perceptions of the policies and practices of their work group, it is not too surprising that items relating to customer service formed a separate and distinct factor” (Wimbush, pg 123).

Cullen, Victor, and Bronson (1993) further tested the validity and reliability of the ECQ. In their study of four large accounting firms, they also identified the presence of distinct ethical climates. In summarizing the cumulative results of all three of their studies, Cullen et al. concluded the results provided convincing verification of the validity and reliability of the ECQ.

Weber (1995) investigated whether multiple climates would exist within a single financial institution with several departments based upon variations of departmental tasks and stakeholder relationships. Weber’s results supported his hypothesis that an employee’s perception of ethical climates existed at the workgroup level.

Ethical climate studies in the non-profit sector (Deshpande, 1996b; Joseph & Deshpande, 1997; Agarwal & Malloy, 1999) examined a variety of factors in relation to perceived ethical work climate. Deshpande (1996b) specifically tested various aspects of job satisfaction, including satisfaction with compensation, promotions, co-workers, supervisors, and the work itself, to determine if the ethical climate of the organization influenced members’ perceptions. The results were inconclusive. However, the 1997

study results supported the hypothesis that managers may be able to influence job satisfaction by influencing the ethical climate.

Barnett and Vaicys (2000) and Wyld and Jones (1997) attempted to establish a relationship between ethical work climates and ethical judgments. After reviewing the decision-making literature, Wyld and Jones (1997) offered that the organizational culture variable from Trevino (1986) and Ferrell et al's (2000) ethical decision-making models might be represented by Victor and Cullen's (1987, 1988) ethical work climate.

Studies in lodging operations (Upchurch & Ruhland, 1996; Weinstein, 1999) utilized the ethical climate scale created by Victor and Cullen (1988) to examine the organizational bases of ethical work climates as perceived by general managers. Results from these studies found benevolence to be the predominant dimension of ethical climate and the local level of analysis as the predominant referent for ethical decisions in the organization.

Loe (1996) researched the role of ethical climate in developing trust, market orientation and commitment to quality. The results from his study showed ethical climate explained over 30 percent of the variance in trust within organizations. Loe's study found ethical climate explained 13 percent of the variance in commitment to quality and 18 percent of the variance in market orientation.

Bartels et al (1998) queried human resource managers about the perceived strength of the ethical climate within their organizations and the severity of ethical problems confronted within their respective organizations. Their results indicated ethical climate had an impact on the extent to which the organization experiences serious ethical problems.



Bourne & Snead (1999) examined the influence of cosmopolitan reference groups upon ethical decision-making. Their study focused on the impact of community norms and values in determining an organization's ethical climate. They surveyed 343 employees from 32 different organizations all living within a community of 40,000 people in the southeastern United States. The results of their study indicated the existence of a unique, community-based micro-culture that moderated the ethical climate of the organizations.

Harvey (2000) examined the impact of ethical climate and ethical ideology on the propensity to create budgetary slack and job satisfaction. Her results showed ethical climate to be associated with job satisfaction; however, a relationship could not be established with a specific work climate. Harvey was able to find evidence indicating that when individuals perceived the characteristics of their work climate to be stronger, they indicated a higher degree of job satisfaction.

In summary, Victor and Cullen's ethical climate framework posits that organizations have identifiable types of ethical climates. Based upon these ethical climates, individuals in the organization determine the nature of ethical issues and how these issues are addressed. Researchers (Victor & Cullen, 1988; Wimbush, 1991; Weber, 1995) have identified the coexistence of multiple ethical climates within subgroups of the organization. Furthermore, Wimbush and Shepard (1994) found supervisors influenced employee perceptions of the ethical climate. The ethical climate studies are summarized in Table 3.

Table 3  
Summary of Ethical Climate Studies

Researcher(s)	Date	Conclusions/Contributions
Victor & Cullen	1987	Proposed and statistically tested ethical work climate theory.
Victor & Cullen	1988	Broad study identified five ethical work climates.
Gaertner	1991	Ethical work climate influences ethical decision-making.
Wimbush & Shepard	1994	Supervisors influence employee perceptions of ethical work climate.
Weber	1995	Ethical climates exist at the workgroup level.
Deshpande; Joseph & Deshpande	1996 1997	Job satisfaction may be influenced by ethical climate.
Upchurch & Ruhland	1996	Benevolence is the predominant ethical climate type in lodging operations.
Wimbush, Shepard & Markham	1997	Partial support for ethical climate impacting ethical behavior, specifically lying.
Wyld & Jones	1997	Ethical work climate represents the organizational factor present in most ethical decision-making models.
Bartels, Harrick, Martell & Strickland	1998	Statistically significant negative relationship between ethical climate strength and ethical violations.
Bourne & Snead	1999	Findings indicate the existence of environmental determinants of ethical climate.
Harvey	2000	Ethical work climate associated with job satisfaction. Unable to specify type of work climates leading to job satisfaction.
Barnett & Vaicys	2000	Ethical climate dimensions do not have direct effect upon behavioral intentions however; significant moderating effects were found.

From the preceding discussion, it seems reasonable to infer that individuals within the organization will perceive the ethical work climate from the perspective of their referent work group. Therefore, the following hypotheses emerge.

H1a: Multiple ethical work climates will exist within an organization.

H1b: The perception of ethical work climate will be influenced by an individual's position in the organization.

#### Method of Compensation

Studies of automobile salespersons (Bellizzi & Hite, 1989; Honeycutt et al., 2001; Laczniak & Murphy, 1993) revealed that the method of compensation, salary based versus commission-based, can influence the ethical behavior of individuals. Laczniak and Murphy (1993) state that 100% commission compensation-plans provide an atmosphere for ethical abuse by sales people. Bellizzi and Hite (1989) claim that when emphasis is placed upon short-term sales performance, reinforced through a commission-based compensation structure, an atmosphere is created that is ripe for ethical abuse. In a study conducted by Honeycutt et al. (2001), method of compensation was found to influence significantly behavior in four of five scenarios tested. Kurland (1995) examined the ethical intentions of commissioned insurance agents. In her study, Kurland hypothesized that the more an agent depended upon commission for income, the less ethical the agent would be toward his/her clients. Kurland's study did not find empirical support for her hypothesis, possibly because of the limited sample.

Vitell and Davis (1990) found that respondents' income level was a significant predictor of the perception of opportunities for unethical behavior. Confirming other findings (Chonko & Hunt, 1985; Finn, Chonko, & Hunt, 1988), income level was found to be positively related to the perception of fewer ethical problems and more optimism about the link between ethical behavior and success. Table 4 provides a summary of the compensation literature.

Table 4  
Summary of the Compensation Literature

Researcher(s)	Date	Conclusions/Contributions
Hegarty & Sims	1979	Unethical behavior more prevalent when rewarded.
Bellizzi & Hite	1989	Emphasis upon short-term performance increases potential for unethical action
Laczniak & Murphy	1993	Ethical behavior may be impacted contingent upon type of compensation.
Kurland	1995	Greater the dependency upon commission for income, less ethical the individual
Honeycutt	2001	Method of compensation found to influence behavior

In a laboratory study conducted by Hegarty and Sims (1979), unethical behavior occurred more often when it was rewarded. Specifically, when unethical behavior resulted in greater profits for the organization, the unethical behavior occurred more frequently. The findings in Hegarty and Sims' study have meaning for the hospitality industry in that employees may garner larger tips when they behave unethically (e.g. providing products without charge).

Employees in the restaurant industry working in tipped positions are largely dependent upon tips to subsidize their income, much the same as a commissioned

salesperson. Customers give tips to remunerate employees for providing “good” service. As a general rule of thumb, customers give employees a tip equal to fifteen percent of their bills. Fifteen percent is customary in the United States and is not required in most restaurants. Thus, the tip becomes the employee’s “commission” for providing good service.

Of the two types of compensation, it was expected that tipped employees will have a more instrumental perception of the ethical work climate than non-tipped employees. That is, tipped employees will be more likely to act in their own self-interest and take advantage of opportunities to increase their personal tips, thus increasing their compensation.

H2a: Tipped employees will perceive the ethical climate to be more instrumental than will non-tipped employees.

H2b: Non-tipped employees will perceive the ethical climate to be more caring, law and code, rules and procedures, and independent than will tipped employees.

### Ethical Optimism

The practices of individuals who are perceived to be successful within an organization can influence ethical behavior (Deshpande, 1996a). If it is believed that unethical behavior is necessary to enjoy success, such a perception could provide strong motivation to act unethically (Hunt, Chonko & Wilcox, 1984).

Hunt et al (1984) studied ethical problems of marketing researchers. Specifically, they sought to identify the major ethical problems of marketing researchers, determine

how extensive the problems of marketing researchers were, and ascertain the effectiveness of top management actions in reducing the ethical problems of marketing researchers. In order to respond to these questions they created a 13-item measurement scale. In their study, Hunt et al (1984) found that only a small percentage of marketing researchers believed it necessary to compromise one's ethics to succeed. Moreover, they found that successful managers were not perceived to be less ethical than unsuccessful managers. However, when specific unethical behaviors were identified, a larger percentage of respondents believed that successful managers engaged in these unethical behaviors.

Significant differences in perceived unethical behaviors between in-house researchers and agency researchers on each of the specific behaviors were found by Hunt et al (1984). In-house researchers reported higher percentages of unethical behavior for successful managers than agency researchers. In attempting to explain this difference, Hunt and his colleagues (1984) suggested that the nature of the practices and the size of the organization may contribute to the perceptions of unethical behavior. They offer that specific practices may exist within larger, multi-layered bureaucratic organizations that do not exist within a smaller organization with fewer levels. Thus, the specific unethical actions are less likely to lead to success in a smaller organization.

The study conducted by Hunt et al (1984) arrived at the following conclusions. In general, it is perceived that many opportunities exist for unethical behavior; however, relatively few marketing researchers behaved unethically. While it is believed that unethical behavior in general does not lead to success in marketing research, successful managers are perceived to engage in certain specific unethical behaviors.

A study conducted by Vitell and Davis (1990) examined management information systems (MIS) professionals to determine if unethical individuals were perceived to be successful. They found the majority of MIS professionals believe that successful managers are more ethical than unsuccessful managers. Their study also demonstrated that MIS professionals do not believe it is necessary to compromise one's personal ethics to be successful.

To date, all of the past research on ethical optimism has focused upon managers and their beliefs. In order to address the shortcomings of past research, this study focused on employees in the restaurant industry and how their perception of ethical climate influences their belief that ethical actions are rewarded and unethical actions are punished. Vitell and Davis (1990) believe that ethical conflict is unavoidable in a business environment due to the many constituencies a person must consider and the inconsistencies among the interests of those constituencies.

As discussed earlier, an instrumental ethical climate exists when organizational members focus upon what will benefit them most and what will cause them the least amount of harm. Therefore, we may assume the following hypotheses.

- H3a: Instrumental ethical climate will be negatively associated with ethical optimism.
- H3b: Caring, independent, law and code, and rules and procedure ethical climate will be positively associated with ethical optimism.

## Influence of Management Actions on Ethical Optimism

The actions of top management reprimanding unethical behavior can significantly reduce ethical problems. Hegarty and Sims (1979) found that unethical behavior tends to decrease as organizational support for ethical behavior increases. Hunt et al (1984), in their study of marketing researchers, found that actions of top management in reprimanding unethical behavior significantly reduced ethical problems.

In a study conducted by Deshpande (1996b) of 252 middle level managers of a large, non-profit, charitable organization, a strong relationship between perceived success and ethical behavior was found. Deshpande's study found a lower level of ethical optimism was present than in studies by Hunt et al (1984) and Vitell and Davis (1990).

Viswesvaran and Deshpande (1996) surveyed middle level managers in India and found that when respondents perceived successful managers in their organization behaved unethically, their levels of job satisfaction, as it related to management, was reduced (see Table 5).

Table 5  
Summary of Top Management Actions Literature

Researcher(s)	Date	Conclusions/Contributions
Hunt, Chonko & Wilcox	1984	The actions of top management influence the ethical actions of subordinates.
Finn, Chonko & Hunt	1988	Top management reprimands of unethical behavior reduces ethical problems.
Vitell & Davis	1990	Successful MIS professionals perceived as ethical.



Further evidence of the influence of management actions on ethical behavior was found by Posner and Schmidt (1982, 1984). They have consistently found the behavior of managers is the primary influence on individuals' ethical behavior. Subordinates are likely to mimic managers' behavior because managers make judgments about the behavior of their subordinates (Posner & Schmidt, 1984). Arguments have been made that even when an organization or profession has an ethics policy, subordinates will do what they observe their managers doing rather than adhere to an ethics policy (Andrews, 1989).

In addition to being the source of employee perceptions about ethics, managers also are vital links in the organization disseminating organizational policies to subordinates. If the perceptions were the same throughout the organization, then a collective ethical climate would emerge. However, if the perceptions differ, then different dimensions of ethical climate would likely be found within different workgroups and, in the case of a large restaurant organization, the climate could be different at multiple locations (Wimbush & Shepard, 1994).

In light of the powerful influence managers exert over their subordinates the following hypotheses are suggested:

- H4a: Management actions will be positively associated with the dimensions of ethical climate.
- H4b: Management actions will be positively associated with ethical optimism.

## Organizational Commitment

Organizational commitment has been commonly defined as the identification with and involvement in an organization characterized by a shared belief in the goals and values of the organization, the desire to put forth substantial effort to further the organization, and a strong desire to remain with the organization (Mowday, Steers, & Porter, 1979).

O'Reilly and Chatman (1986) state that commitment is best described as the basis of an individual's psychological attachment to the organization. There are as many definitions of organizational commitment as there are authors writing in this area of research. However, there is a consistency in that many of the definitions focus upon commitment-related behaviors demonstrated by individuals "exceeding expectations."

Staw (1977) states, "To act is to commit oneself" (pg. 284). He further identifies four characteristics of specific behavioral actions that bind the individual to his or her commitment: explicitness, revocability, volition, and publicity. These characteristics are overt manifestations of commitment binding the individual to the organization. Wiener (1982) offers the following definition of organizational commitment, "committed individuals exhibit certain behaviors not because they have figured that doing do is to their personal benefit, but because they believe that it is the 'right' and moral thing to do" (p. 421).

### Typologies of Organizational Commitment

As evidenced from the variety of definitions offered for organizational commitment it follows that it would also be difficult to achieve a consensus with regard to establishing a construct definition. Many definitions have been offered and a review

of seven approaches is shown in Table 6, which displays the ideas of Etzioni (1961), Kanter (1968), Staw (1977), Salancik (1977), O'Reilly & Chatman (1986), Meyer & Allen (1987), Caldwell, Chatman, & O'Reilly (1990), and Jaros, Jermier, Koehler, & Sincich (1993).

Etzioni (1961) made one of the earliest efforts to establish a construct of commitment. Etzioni's construct focused on three forms of commitment drawn from a larger model based upon compliance with organizational directives: moral involvement, calculative involvement, and alienative involvement. Alienative involvement represents a negative orientation towards the organization and had a very limited application in the area of organizational commitment. Alienative involvement has not been included in subsequent work by other researchers.

Kanter's (1968) view of commitment is based on the different behavioral requirements placed upon individuals by the organization. Her construct of commitment focused on cognitive-continuance commitment that she viewed as commitment to social roles with no regard to affectivity. Cathetic-cohesion commitment is the attachment to social relationships. The third dimension of commitment is the commitment to norms, relating to the congruence of values and moral responsibility of the organization and the individual.

Staw (1977) and Salancik (1977) placed an emphasis on the necessity to differentiate between attitudinal commitment and behavioral commitment. Organizational behaviorists focused their attention upon workers identifying with the values and goals of the organization and their desire to sustain involvement with the organization. Staw identified this approach as attitudinal commitment. Staw felt there

were inherent potential problems with the organizational behaviorists approach and along with Salancik offered the concept of behavioral commitment. This concept focuses upon the behaviors that bind an individual to the organization.

O'Reilly and Chatman (1986) argue that commitment is predicated on three separate bases of attachment: (1) compliance, the instrumental attachment for specific rewards; (2) identification, referring to the desire for affiliation; and (3) internalization, referring to the congruence of the organization's and individuals' values. They further claim that the consequences of commitment vary according to the individual's basis of attachment.

Meyer and Allen (1987) measured organizational commitment utilizing a three-component model. The affective component refers to the individual's emotional and identification attachment to the organization. The continuance component is based upon the costs associated with the individual leaving the organization. The normative component refers to feelings of obligation to the organization.

Caldwell et al (1990) utilized the same instrument as O'Reilly and Chatman (1986) and realized slightly different results. The three factors of commitment identified in earlier studies collapsed into two factors, instrumental commitment and normative commitment. A single dimension, normative commitment, represented the components of affective and normative commitment identified in the earlier study.

A meta-analysis of organizational commitment (Mathieu & Zajac, 1990) studied the antecedents, correlates, and consequences of commitment. The antecedents analyzed were personal characteristics, such as age, gender, education, etc.; job characteristics, such as autonomy, skill variety, scope, etc.; group leader relations; organizational

characteristics; and role states. Consequences examined were motivation, job performance and job satisfaction. In performing this analysis, Mathieu and Zajac (1990) employed a two-dimensional model specified as attitudinal and calculative. The attitudinal dimension included what other researchers have referred to as affective and normative commitment while the calculative dimension represented continuance commitment.

Jaros, et al (1993) associate affective commitment and normative commitment as overlapping and relating wholly to emotional attachment and identification with the organization resulting in an attitude of obligation to remain with the organization. In contrast, continuance commitment relates to costs associated with leaving the organization or the perceived lack of employment alternatives.

Virtanen (2000) unites the concepts of culture and commitment by claiming the strength of an organizational culture can be considered as the strength of commitment to the organization. Additionally, Virtanen views the dimensions of commitment as being either rational or arational. Rational commitment arises from an instrumental relationship with the organization based upon specific extrinsic rewards while arational commitment is emotional, emanating from the individual's identification with the organization.

The operational definitions of organizational commitment have built upon one another refining the definitions of the dimensions of commitment. There is a lack of consensus among researchers on exactly how many dimensions of commitment can be clearly identified. Several studies (original sources not cited) suggest continuance commitment actually measures two forms of cost-related commitment, one based upon the high personal costs of leaving the organization due to lack of other alternatives and a

second based on the perception that a high level of personal sacrifices would have to be made to leave the organization, e.g. relocate to another city, change children's school, leave long-time friends.

It seems the "best" construct to employ is the one developed by Caldwell et al. The simplicity of the two-dimensional model utilizing instrumental commitment and normative commitment provides very similar information to the three-dimensional models. There is evidence of a strong correlation between the independent measures of normative commitment and affective commitment (Allen & Meyer, 1990), further supporting the concept of combining the two factors into a single dimension.

The research conducted by Allen and Meyer (1990) provides strong correlations with antecedents of affective (normative) commitment and employees who felt comfortable in their roles and competent in their jobs. Caldwell et al (1990) additionally found strong relationships between the antecedents of normative commitment and strong organizational recruitment and socialization practices. Additionally, a well-defined value system and well articulated reward system was determined to be an antecedent of instrumental commitment.

Mowday, Steers, and Porter (1979) found evidence of consistent relationships between the consequences of organizational commitment and employee turnover (negative), absenteeism (negative), tenure on the job (positive), and to a slight degree job performance (negative). In all studies, commitment is negatively related to employee turnover.

In a review and meta-analysis performed by Mathieu and Zajac (1990) of the antecedents, correlates, and consequences of organizational commitment they found that

management behavior was moderately correlated with organizational commitment.

Therefore, based upon the above I propose;

H4c: Management actions will be positively associated with normative organizational commitment.

H4d: Management actions will be negatively associated with instrumental organizational commitment.

### Ethical Behavior

One of the integral elements of normative commitment is the belief in a shared set of values between the individual and the organization. This shared set of values aids in increasing the identification of the individual with the organization and its goals and objectives.

Research in the marketing field has shown a positive relationship between organizational ethical values and organizational commitment (Hunt, Wood, & Chonko, 1989). Values assist in the establishment and maintenance of standards for the organization serving to guide its members towards the “right” thing to do. The congruence of values between the individual and the organization serves to “direct” the ethical behavior of the individual as perceived by the organization.

The mediating effect of ethical optimism on ethical climate and its effect on organizational commitment has not been examined. Therefore,

H5a: A high degree of ethical optimism will be positively associated with normative organizational commitment.

H5b: A low degree of ethical optimism will be positively associated with instrumental organizational commitment.

### Summary

This chapter developed the theoretical background for an examination of the effect ethical climate has upon ethical optimism and organizational commitment. The next chapter will discuss the proposed methodology for utilizing structural equation modeling and path analysis in this dissertation, and for performing the remainder of the research.



## CHAPTER 3

### METHODOLOGY

This chapter explains the methodology of the study. The sampling procedures are described in the first section of this chapter. The second section explains the design of the survey instrument. The third section explains the data collection procedures. The fourth section gives a description of the data analysis.

#### Sampling Procedures

Before selecting the sample, a population must be defined. In this dissertation, the population includes all restaurant employees. After defining the target population, a sampling frame can be generated. According to Malhotra (1999), a sampling frame is a representation of the elements of the target population and provides a list of members from which the sample will be drawn (Churchill, 1995).

For this dissertation, the sampling frame is comprised of all employees working in ten restaurants drawn from two organizations located in different regions of the United States. The first organization (ORG-A) operates three traditional family diners in the mid-Atlantic region of the United States. Participants were drawn from all levels and job types within the organization. The second restaurant organization (ORG-B) is a larger chain operation headquartered in southern California. Participants in ORG-B were drawn from seven restaurants whose senior managing partner has granted access to employees

across hierarchical levels. Both organizations participated in exchange for information regarding worker perceptions.

### Convenience Sampling

A convenience sampling technique is employed in this dissertation since the respondents in this dissertation are chosen because they are employees of the participating restaurants. Therefore, the results generated from convenience samples cannot be used to make theoretical, meaningful inferences to any definable populations. However, based on the benefits of convenience sampling being the least expensive and least time-consuming of all sampling techniques, the limitation of generalizing the results to a larger population is acceptably balanced (Mayer, 1999).

### Sample Size

Two major considerations influence the decision of the sample size. The first consideration is the absolute precision desired in the study and the specified level of statistical significance. Second, the number of variables involved in the study and the statistical techniques to be applied will also affect the sample size. These two approaches are discussed in the following section.

Formulas calculating sample size based on the absolute precision approach to estimate a population parameter with either an acknowledged population variance or unknown population variances do not apply to this study. Since it is inappropriate to project the results generated from a convenience sample beyond the specific sample, the sample size criteria based on estimating the population parameter is not used.

Researchers have different opinions regarding the required sample size for factor analysis. According to Tabachnick and Fidell (2001), a minimum of 300 responses is required for any type of factor analysis. However, 150 cases are sufficient when the factor solutions have many variables with high loading scores (Tabachnick & Fidell, 2001). Additionally, according to Hair, Anderson, Tatham and Black (1998), the rule of thumb for factor analysis is there should be at least five to ten responses for each item to attain an acceptable size.

Several guidelines regarding the required sample size for path analysis are set. Anderson and Garbing (1988) indicated that a minimum sample size of 150 is needed to obtain the parameter estimates, which have small enough standard errors for practical usage. At the same time, Hair et al. (1998) indicated the optimal sample size for employing path analysis would be 100 to 200.

Hair et al. (1998) pointed out concerns for a large sample size. These researchers suspected that over-sensitivity would be caused by a large sample size, such as 400 to 500; this means it is possible the detected significant differences might be caused by the large sample size rather than actual difference among the respondents.

Tabachnick and Fidell (2001) indicated that in addition to considering the number of variables, researchers should also consider the statistical and practical reasons when deciding the sample size. Tabachnick and Fidell (2001) further recommended researchers apply the “smallest number of cases that has a decent chance of revealing a relationship of a specific size” (p. 133).

According to the discussed guidelines, an adequate sample size for this dissertation with 49 items and proposed statistic techniques of principle components analysis (PCA) and path analysis, a sample size of 200 to 300 cases is appropriate.

#### Instrument

The questionnaire used in this study included four sections. The first three sections included pre-existing instruments to measure the variables of interest. The fourth section collected demographic data. The questionnaire was translated into Spanish and then translated again from Spanish into English to insure the accuracy of the Spanish translation. This translation was performed to allow for those individuals who do not read English and only read Spanish to participate in the study.

#### Ethical Climate

The Ethical Climate Questionnaire (ECQ) created by Victor and Cullen (1987) was used to assess the dimensions of ethical climate perceived by the respondents. As noted in Chapter Two, Victor and Cullen developed 26 questions to describe individual perceptions of ethical climate based on philosophical, psychological, and sociological theories. Based on the responses to these questions they established ethical climate dimensions (six in 1987, five in 1988). Researchers have used these questions to identify ethical climate dimensions in a variety of ways, such as using the ECQ in its entirety, using only some of the items, and merging some of the items with new items to create a new scale.

Victor and Cullen (1987, 1988) performed several procedures to help establish the validity of their instrument. As part of the 1987 study, discriminant analysis, factor analysis, and ANOVA testing across different organizations lent support to Victor and Cullen's framework of unique ethical climates. The emergence of similar climates in the larger 1988 study added further support. Additionally, they established the instruments' ability to measure the perception of climate separate from an evaluation of the climate.

Little or no correlation was found between respondents' satisfaction with their organizations' ethics and their climate perceptions (Victor & Cullen, 1988).

Correlational analysis also indicated the scales are not completely independent. Victor and Cullen (1987) addressed this by stating, "While greater scale independence may be desirable to better tap the uniqueness of each type of ethical climate, the theoretical relationships among the constructs do not demand strict independence" (1987, p. 62).

In 1993, Cullen et al reported the cumulative results of their three ethical work climate studies. They indicated that the three surveys, encompassing 1,167, individuals and 12 organizations, provide "strong support for the validity and reliability of the questionnaire" (p. 667). In addition, Wyld (1993) used confirmatory factor analysis to establish validity of the five scales reported by Victor and Cullen in 1988, which will be used in this study.

The ECQ scale is composed of 26 descriptive statements to which individuals respond. A 6-point Likert-type scale, anchored from completely false to completely true, is used. Five dimensions comprise the Ethical Climate Questionnaire, Law and Code, Caring, Rules, Instrumental, and Independence. The caring dimension is included in questions 1 through 7. Law and code is comprised of questions 8 to 11, the rules

dimension is comprised of questions 12 to 15, the instrumental dimension is comprised of questions 16 to 22, and the independence dimension is comprised of questions 23 to 26.

The 26 questions are as follows:

- EC1 In this company, doing what is best for everyone is the major consideration.
- EC2 The most important concern is the good of all the people in the company as a whole.
- EC3 My company's major concern is always what is best for people.
- EC4 In my company, people look out for each other's welfare.
- EC5 In my company, it is expected that I will always do what is right for the customers and public.
- EC6 The most efficient way is always the right way in my company.
- EC7 In my company, each person is expected, above all, to work efficiently.
- EC8 People are expected to comply with the law and professional standards over and above other considerations.
- EC9 In my company, the law or ethical code of our profession is the major consideration.
- EC10 In my company, people are expected to strictly follow legal or professional standards.
- EC11 In my company, the first consideration is whether a decision violates any law.
- EC12 It is very important to follow rules and procedures in my company.
- EC13 Everyone is expected to stick by company rules and procedures.
- EC14 Successful people in my company go by the book.
- EC15 People in my company strictly obey the company policies.
- EC16 In my company, people protect their own interests above all else.
- EC17 In my company, people are mostly out for themselves.

- EC18 There is no room for one's own personal morals or ethics in my company.
- EC19 People are expected to do anything to further the company's interests, regardless of the consequences.
- EC20 People at my company are concerned with the company's interests—to the exclusion of all else.
- EC21 Work is considered substandard only when it hurts the company's interests.
- EC22 The major responsibility of people in my company is to control costs.
- EC23 In my company, people are expected to follow their own personal and moral beliefs.
- EC24 Each person in my company decides for themselves what is right and wrong.
- EC25 The most important concern in my company is each person's own sense of right and wrong.
- EC26 In my company, people are guided by their own personal ethics.

#### Ethical Optimism and Management Actions

The Ethical Optimism and Management Actions scale was created by Hunt, Chonko & Wilcox (1984) for investigating the ethical problems facing marketing researchers. This scale serves as the foundation for the Ethical Optimism Scale used for this research. Specifically, this scale was developed to determine the extent of potential ethical problems in an organization and the actions taken by management when unethical behavior is discovered in the organization.

The scale is comprised of eleven items, including eight items measuring ethical optimism for members of the organization and three items measuring how management responds to unethical behavior in the organization. Factor analysis has been used with the eight items measuring ethical optimism resulting in a one-factor solution loading in excess of 0.4 on a single factor. The coefficient alpha for the seven items was 0.82,

indicating that all eight items were measuring the same construct and all eight items can be considered a scale measuring the latent construct, “ethical optimism.”

### Ethical Optimism Construct

A seven-point Likert scale was used to measure the degree of agreement with each statement ranging from 1 (strongly agree) to 7 (strongly disagree). The following statements were used to measure the ethical optimism construct:

- EO1 Individuals in my company often engage in behaviors that I consider unethical.
- EO2 There are many opportunities for individuals in my company to engage in unethical behavior.
- EO3 Successful individuals in my company are generally more unethical than unsuccessful individuals. <sup>a</sup>
- EO4 In order to succeed in my company it is often necessary to compromise one’s ethics.
- EO5 Successful individuals in my company withhold information that is detrimental to their success.
- EO6 Successful individuals in my company make rivals look bad in the eyes of important people in my company.
- EO7 Successful individuals in my company look for a “scapegoat” when they feel they may be associated with failure.
- EO8 Successful individuals in my company take credit for the ideas and accomplishments of others.

<sup>a</sup> Item was reverse-scored.

### Management Actions Construct

The measurement of management actions with factor analysis showed all three items loading on a single factor in excess of 0.4 with an alpha coefficient of 0.74.



Therefore, these items can be treated as a single scale measuring the latent construct, “top management actions.”

A seven-point Likert-type scale was used to measure the degree of agreement with each statement ranging from 1 (strongly agree) to 7 (strongly disagree). The following statements were used to measure the ethical optimism construct

- MA9 Top management in my company has let it be known in no uncertain terms that unethical behaviors will not be tolerated.
- MA10 If an individual in my company is discovered to have engaged in unethical behavior that results primarily in personal gain (rather than corporate gain) s/he will be promptly reprimanded.
- MA11 If an individual in my company is discovered to have engaged in unethical behavior that results in primarily corporate gain (rather than personal gain) s/he will be promptly reprimanded.

### Organizational Commitment

The scale used to measure organizational commitment was developed by O’Reilly and Chatman (1986). The scale is comprised of 12 items measuring two separate and distinct constructs of organizational commitment, normative commitment and instrumental commitment. Normative commitment is based on shared values between the individual and the organization. Instrumental commitment is based on involvement with the organization in exchange for specific rewards (i.e. compensation, benefits, flexible schedule, etc.).

Participants were asked to respond to each statement utilizing a 5-point Likert-type scale from 1 (strongly agree) to 5 (strongly disagree). Questions OC1, OC2, OC3,

OC6, OC8, OC9, OC11, and OC12 measure normative commitment. Questions OC4, OC5, OC7, and OC10 measure instrumental commitment.

- OC1 What this organization stands for is important to me.
- OC2 I talk up this organization to my friends as a great organization to work for.
- OC3 If the values of this organization were different, I would not be as attached to this organization.
- OC4 How hard I work for the organization is directly linked to how much I am rewarded.
- OC5 In order for me to get rewarded around here, it is necessary to express the right attitude.
- OC6 Since joining this organization, my personal values and those of the organization have become more similar.
- OC7 My private views about this organization are different from those I express publicly.
- OC8 The reason I prefer this organization to others is because of what it stands for, that is, its values.
- OC9 My attachment to this organization is primarily based on the similarity of my values and those represented by the organization.
- OC10 Unless I'm rewarded for it in some way, I see no reason to expend extra effort on behalf of this organization.
- OC11 I am proud to tell others that I am part of this organization.
- OC12 I feel a sense of "ownership" for this organization rather than being just an employee.

## Demographics

The demographic characteristics of the sample were collected in the fourth section of the questionnaire. The information collected was used to enable analysis of group differences. The following questions were asked:

How long have you worked for this organization?

What is your job title?

What is your age?

What is your sex?

What is your highest level of education completed?

How long have you worked in the restaurant industry?

If you work in a tipped position, what is your average daily tip

What shifts do you typically work?

How many work hours do you average each week?

## Data Collection

Due to the sensitive nature of the data as discussed earlier in Chapter 2, collection procedures were carefully taken into consideration. Specific dates were identified with the participating restaurants as payroll distribution dates. It was decided the most effective means of questionnaire distribution would be to deliver a questionnaire along with paychecks, thus ensuring all employees would receive a questionnaire.

In this study, the participants received a package containing a cover letter, informed consent form, and a survey questionnaire. The cover letter accompanying the questionnaire was designed to gain respondents' attention and cooperation. It explained why the study was important and why the respondents' perceptions were important. In

addition, the cover letter informed respondents that answering the questionnaire would not be difficult and took only a short amount of time. Most important, the cover letter assured confidentiality to respondents (Zikmund, 1994).

Questionnaire packets were attached to each employee's paycheck and included a cover letter, informed consent form, and questionnaire placed inside a self-addressed envelope. University letterhead was used for the cover letter, informed consent form, and the return envelope to inform respondents the research was being conducted by someone affiliated with UNLV, not with the restaurant organization. Respondents were asked to place the questionnaire and informed consent forms inside the provided self-addressed envelope and seal the envelope and return the completed questionnaire to the restaurant manager.

A decision was made for the researcher to visit each restaurant and be present when questionnaire packets were distributed. The intended outcome of having the researcher physically present was to assure respondents they could participate anonymously without consequences and be available to respond to questions from the participants.

#### Data Cleaning

The data set was screened using univariate descriptive statistics and graphics to insure all values were within the appropriate range, and means and standard deviations were reasonable. Then, each variable was explored by boxplot and stem-and-leaf graphics to insure there were no outliers in each individual variable.

Prior to performing principal components analysis (PCA), outliers need to be removed, because PCA is a technique particularly sensitive to outliers (Tabachnick & Fidell, 2001). Leverage and Mahalanobis distance were applied to identify the possible extreme values among independent variables. “Leverage assesses outliers in the set of IVs” (Tabachnick & Fidell, 2001, p. 134). “Mahalanobis distance is the distance of a case from the centroid of the remaining cases where the centroid is the point created by the means of all the variables” (Tabachnick & Fidell, 2001, p. 67).

Before running the path analysis, Cook’s distance was utilized to detect the outliers among the independent variables on the dependent variables. Cook’s distance was used to estimate the impact of each case on the solution by assessing the change in regression coefficients when a case was deleted.

Outliers were addressed by implementing the combination of the visual inspections of the plotted outliers on the scatter diagram of leverage, Mahalanobis distance, and Cook’s distance and the rule of thumb for leverage, Mahalanobis distance, and Cook’s distance.

The rule of thumb for leverage is that when a case with a leverage value greater than  $2p/n$  (where  $p$  = number of variables and  $n$  = sample size), this case is suspected to be an outlier. In addition, the criterion for multivariate outliers is any value greater than the value when the Mahalanobis distance at  $p < .001$  significant level when evaluating as  $X^2$  with degrees of freedom equal to the number of variables. Furthermore, based on Cook’s distance, when a case has an influence score higher than 1, this case is suspected to be an outlier. An influence score is “a product of leverage and discrepancy... leverage

assesses outliers in the set of IVs and discrepancy measures the extent to which a case is in line with the others ” (Tabachnick & Fidell, 2001, p.134).

### Missing Values

In this study, twenty-five respondents were not included in the data set because they skipped more than 50% of the 49 key questions used for model testing. Another nine respondents were removed because they responded to all questions with the same answer, indicating a response set. Hence, 279 valid cases were included in the data set. As previously discussed, outliers were removed before data analysis.

### Factor Analysis

Factor analysis was used to assess the interrelationships among variables in order to discover a smaller set of variables that can explain most of the information in the original data.

In this dissertation, all constructs are measured with multiple items. The use of multiple items increases the difficulties of interpretation and the possibility of multicollinearity. Therefore, PCA was implemented to eliminate the aforementioned problems by creating a smaller set of uncorrelated factors (Shoemaker, 1998). Three separate factor analyses were performed. The first one contained items of ethical climate. The second one contained ethical optimism and management action items. The third one consisted of items measuring organizational commitment.

The purpose of PCA is to produce the uncorrelated combinations of variables that resemble each variable as closely as possible. Since each combination should not be

correlated to other, Varimax rotation was applied. Several rules of thumb were used for determining the proper number of factors to extract, Cattell's Scree Test, eigenvalues greater than one, interpretability, stability, and over-factoring (Tabachnick & Fidell, 2001). I primarily followed the four guidelines: eigenvalues greater than one, Cattell's Scree Test, interpretability, and stability.

In conjunction with the aforementioned guidelines, I considered several requirements regarding factor loadings. According to Hair et al. (1998), factor loadings greater than .30 are considered significant; loadings greater than .40 are considered more important; loadings greater than .50 are considered very significant. The .50 cut-off point for the factor loadings was employed in this analysis.

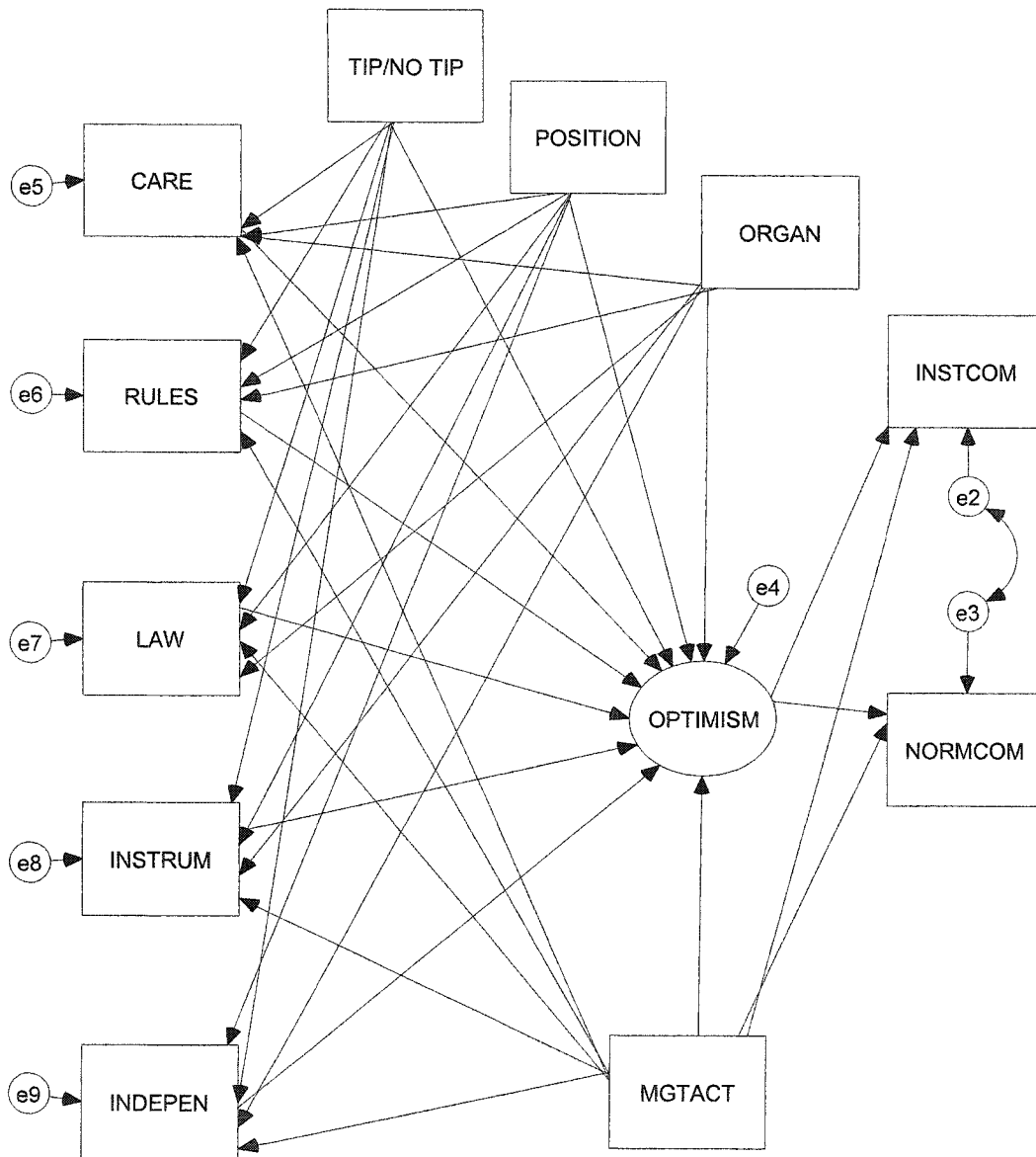
### Model Testing

The purpose of this dissertation is to examine the relationship among ethical climate, ethical optimism, management actions, organizational commitment, and the control variables of organization, position (job), and whether or not an individual receives tips or not. The path diagram in Figure 1 portrays the hypothetical relationships among the constructs.

### Path Diagram

A path diagram is a graphic portrayal presenting the hypothesized relationships among a model's constructs (Hair, et al, 1998). Those relationships can be directly translated into the equations for analysis. I had no intention to explore

Figure 1  
Hypothesized Path Model





whether bi-directional relationships exist among the constructs — all relationships are presumed to be uni-directional.

The relationships among ethical climate, management actions, organizational commitment, and ethical optimism are investigated. Path analysis was employed to test the hypothesized relationships among constructs in this causal model (Pedhazur, 1982; Dillon & Goldstein, 1984; Tabachnick & Fidell, 2001). The factor scores generated by the factor analysis tested each construct.

### Path Analysis

Path analysis uses multiple linear regressions to solve a series of equations among causal models (Pedhazur, 1982). Path analysis can evaluate the direct effects, indirect effects, and total effects among the variables (Hair, et al. 1998). The effects are estimated by regression coefficients and are similar to the beta weights in regression analysis and express similar meanings.

Although path analysis does not assess how well a construct is measured by its various components, it has been referred to as an effective methodology for hypothesis testing in causal models (Dillon & Goldstein, 1984; Weinberg, 1982; Tabachnick & Fidell, 2001).

### Assumptions of Multiple Regression

Before applying path analysis, the assumptions of multiple regressions were evaluated. According to Dielman (1996), the four major assumptions for linear

regressions are: the relationship is linear; the disturbances have constant variances; the disturbances are independent; and the disturbances are normally distributed.

First, the linearity assumption was examined by plotting the residuals for dependent variables and independent variables. If the plots appear to show no visible pattern, the linearity assumption is not violated. Second, plots with the residuals versus the independent variables could check the assumption of constant variances. When the plots show the residual scattered randomly around zero, and there are no differences in the amount of variation in the residuals regardless of the value of the variables, the constant variance assumption is assured. Third, the disturbances are independent when there is no autocorrelation problem and each observation is independent. This assumption can be evaluated by Durbin-Watson tests. A value of two on the Durbin-Watson test was the cut off point for supporting the facts that observations are independent and there was no autocorrelation problem (Dielman, 1996). Fourth, the P-P plots of the regression residuals and cumulative probability distribution can be used to assess the assumption of the normality of distribution.

The independent variables should not be highly interrelated; therefore, multicollinearity was examined by Tolerance and variance inflation factor (VIF). In this dissertation, collinearity statistics with a tolerance larger than .1 and a VIF smaller than 10 and condition index smaller than 30 were the criteria for determining multicollinearity problems (Dielman, 1996; Tabachnick & Fidell, 2001).

Finally, the results of hypotheses testing are reported at the significance level of .05; the most conventionally used significance level.

## Reliability

Scale reliability is an indication of how consistently the construct is being measured. According to Carmines and Zeller (1983), reliability refers to “the tendency toward consistency found in repeated measurements of the same phenomenon” (p. 12). Reliability indicates the extent to which the results obtained from a measurement scale are repeatable; the more consistent the results given by repeated measurements, the higher the reliability of the measuring procedure (Nunnally, 1978).

Cronbach’s alpha is the most common reliability estimating method (Carmines & Zeller, 1983; Malhotra, 1999) and was used in this dissertation to examine the reliability of the scales. The variables designed to measure a construct should share a common essence and the alpha values should reveal the degree to which the items tapping a construct are related. The value of Cronbach’s alpha coefficient ranges from zero to one. Generally speaking, a Cronbach’s alpha value greater than .70 is considered to be adequate and acceptable (Nunnally, 1978). Cronbach’s alpha is often calculated to determine reliability in statistical analyses such as factor analysis and structural equation modeling (SEM).

## Validity

Validity assesses if the scale is measuring the desired construct. However, there is greater difficulty in establishing validity in ethics and behavioral research (Dalton, Wimbush, & Daily, 1996; Robertson, 1993). Dalton et al state:

In business ethics research—however widely defined—‘validity’ is a recurring concern. While validity is seen in many different contexts (e.g.,

internal, external, statistical conclusion, construct) the issue is largely the same: something about the manner by which the data are collected, analyzed, or applied threatens their accuracy or their responsible interpretation. This potential inaccuracy of data is especially apparent when the data of interest are sensitive (Dalton & Metzger, 1992a; Fox & Tracy, 1986; Lee & Renzetti, 1990). (p. 87)

A research project needs to possess a certain level of reliability; however, having a highly reliable measure does not guarantee that the scale instruments are valid. A valid measurement should measure what the research purports to measure (Kerlinger & Pedhazur, 1973). In order to obtain construct validity, research should be guided by a rigorous conceptual model, which indicates the relationships among each construct (Malhotra, 1996). The proposed model in this dissertation, which indicates how the constructs related to one another, was developed with the theoretical framework as discussed in Chapter 2.

The questionnaire developed for this study consists of pre-existing scales to measure ethical climate, ethical optimism, management actions, and organizational commitment. The pre-existing scales were selected to measure the constructs because they have established records of reliability and validity. The original instruments were combined on the questionnaire using discrete, independent sections, in order to maintain the original format and statistical independence of each scale.

The following three basic types of validity can be employed to examine the research instrument validity: content, construct, and criterion-related validity (Carmines & Zeller, 1983). In order to possess content validity, research needs to “measure the full

domain of content that is relevant to the particular measurement situation” and accurately ask the questions (i.e., specific words and form) (Carmines & Zeller, 1983, p.20).

Content validity is also called face validity, which is a qualitative evaluation of how well the content of a scale instrument adequately covers the entire domain of the construct being measured.

Three aspects are included in construct validity: nomological validity, convergent validity, and discriminant validity (Malhotra, 1999). First, nomological validity estimates whether the measure of a certain construct indeed correlates with the measures of other constructs, which are believed to be different but related. In this study I assessed nomological validity by evaluating the proposed model. If the proposed model is supported, it implicitly provides support for nomological validity.

Second, the Pearson correlation coefficient was applied to examine convergent validity. According to Malhotra (1999), convergent validity is the extent to which a measurement correlates positively with other measurements of the same construct.

Third, discriminant validity assesses “the extent to which a measure does not correlate with other constructs from which it is supposed to differ” (Malhotra, 1999, p. 283).

Furthermore, according to Sharma and Patterson (1999), comparing the alpha coefficients of each construct and its correlation coefficients with other constructs can assess discriminant validity. If the alpha coefficient is higher than the across correlations, this provides evidence of discriminant validity. In this study I compared the values of Cronbach’s alpha with the values of across constructs correlations to evaluate the discriminant validity.

## Data Analysis

Hypothesis testing was performed using AMOS, a SEM software package. SEM is an appropriate analytic tool when testing specific hypotheses (Tabachnick & Fidell, 2001).

There are several advantages to using SEM. In examining the relationships among the factors the relationships will be free of measurement error because the error will be estimated and removed, leaving only common variance for analysis (Tabachnick & Fidell, 2001). Another advantage of SEM is complete and simultaneous tests of all relationships.

## Summary

This chapter presented the research methodology involved in this dissertation. The research process involved in testing a theoretical model was discussed, including the development of a path diagram and the application of path analysis for testing the model. Next, sampling procedures and the issues relating to the determination of the sample size were discussed. The survey instrument and data collection procedures and cleaning were addressed.

The chapter continued with a discussion of reliability and validity. Finally, the methods for conducting the statistical analysis on the data were explained. The results of the application of these methods are discussed in the following chapter.

## CHAPTER 4

### RESULTS

This chapter discusses the results of the analysis and the hypothesis testing as outlined in Chapter 3. The first section of this chapter reviews the results of the pretest of the survey instrument. Next, I examine the issue of response rates and possible non-response bias for this study. The next section of the chapter includes descriptive statistics of the sample and Pearson's product-moment correlations. The remainder of this chapter presents the results of the tests of the hypotheses.

#### Pretest

The questionnaire and data collection procedure were pre-tested with a sample of 17 subjects employed at a local southwestern styled restaurant. The data collection procedure was conducted in a similar manner as planned for the study. Packets containing the questionnaire with cover letter and an informed consent form were distributed to the participants in the pretest. The participants in the pretest were made aware they were responding to a pretest and were asked to carefully examine all of the materials they had been given. No instructions concerning how to complete the questionnaire were given to the participants except for the written instructions. The participants personally returned the questionnaires to me. An important aspect of the

pretest was the participants' reactions to the questionnaire. It was expected that much useful information would come from these individuals regarding problems with the questionnaire format, question content, response format, as well as an indication of the time necessary to complete the questionnaire. Problems discovered from the pretest proved to be minor and modifications were made accordingly such as spelling and punctuation errors.

### Response Analysis

The data for this study were gathered with the on-site administration of pen and paper surveys in two restaurant organizations located in different regions of the United States. The first organization (ORG-A) operates three traditional family diners in the mid-Atlantic region of the United States with approximately 123 employees eligible for participation in this study. Participants were drawn from all levels and job types within the organization. The second restaurant organization (ORG-B) is a larger chain operation headquartered in southern California. Participants in ORG-B were drawn from seven restaurants with approximately 622 employees eligible for participation in the study.

A total of 745 questionnaires were distributed to employees in both organizations. The method of questionnaire distribution employed was to attach an envelope containing the questionnaire to the paycheck of each employee. Posters informing employees of the study and requesting their participation were posted one week prior to the distribution of the questionnaires. The posters requested the employees to place the completed questionnaire inside the envelope, seal the envelope, and return the questionnaire to one of their managers. Of the total questionnaires distributed, 303 questionnaires were



collected. Table 6 shows the response rates for the individual locations and the organizations. Of the 303 questionnaires collected, 34 of the questionnaires were not usable; 9 respondents gave the same response for the entire questionnaire and 25 respondents failed to complete 50% of the questionnaire. The 269 usable questionnaires yielded a response rate of 36.1%.

Table 6  
Number of Survey Respondents by Location and Organization

Location	Organization	Respondents/Usable	N	Percentage
1	A	34/31	88	35.2%
2	A	63/54	103	52.4%
3	A	28/25	88	28.4%
4	A	33/28	87	32.2%
5	A	27/24	81	29.6%
6	A	34/29	85	34.1%
7	A	28/25	90	27.8%
8	B	11/10	30	33.3%
9	B	22/22	55	40.0%
10	B	23/21	38	55.3%
Total usable responses / usable		303/269	745	40.7% / 36.1%

#### Possible Non-Response Bias

According to Churchill (1995) several methods can be employed to increase response rate. For example, a cover letter can be included with the questionnaire informing respondents of the importance of their participation. This study provided a

cover letter along with the questionnaire. The methodology used in this study did not provide for a follow up to the non-respondents. Due to the sensitive nature of the topic being researched, it was expected that some individuals would choose not to participate in this study. Therefore, failure to understand non-responses is a limitation of the study.

### Demographic Profile of Respondents

A demographic profile of the survey respondents according to gender, age, job title, and highest level of education is shown in Table 7. Of those individuals choosing to participate in this study 62 percent were women, which is close to the national average of 58 percent women working in the restaurant industry (National Restaurant Association, 1999). Another characteristic of the respondents consistent with the national average is that 54 percent of the respondents were under the age of 30 as compared to the national average of 52 percent (National Restaurant Association, 1999). The job title with the largest number of participants was food server, representing 59.8 percent of all respondents.

In summary, the demographic profile of the survey respondents appears to be representative of the restaurant industry as a whole.

### Results of Exploratory Factor Analysis

Due to the fact that multiple survey items measured all constructs, exploratory factor analysis (EFA) was applied to extract the proper combination of variables for each construct. All solutions used principal components analysis (PCA) with a Varimax

Table 7  
Demographic Profile of Respondents

	Characteristic	Number of Responses	Percent of Responses
Gender	Male	100	38.0
	Female	163	62.0
Age	Less than 20 years old	44	16.7
	20-25	112	42.6
	26-30	33	12.5
	31-35	24	9.1
	36-or older	50	19.0
	Job Title	Server	152
Busser		15	5.7
Host/Hostess		37	14.1
Kitchen		41	15.6
Bartender/Cocktail Server		4	1.5
Manager		14	5.3
Education	High school	80	30.4
	Some college	163	62.0
	Bachelor's degree	18	6.8
	Master's degree	2	0.7

rotation algorithm. Only variables with a factor loading greater than .50 were included to improve the clarity of presentation of the results.

## Factor Analysis of the Reduced Dataset

Prior to using path analysis to test the hypotheses, three separate factor analyses were performed on the reduced dataset. The first factor analysis contained 12 items measuring two types of organizational commitment. The second factor analysis contained 26 items measuring five constructs of ethical climate. The third factor analysis consisted of 12 items measuring ethical optimism and top management actions.

In this section, discussion of the results of the factor analyses and the reliability and validity of the constructs are reported.

### Organizational Commitment

As discussed in Chapter 3, the scale used to measure organizational commitment was developed by O'Reilly and Chatman (1986). The scale is comprised of 12 items measuring two separate and distinct constructs of organizational commitment, normative commitment and instrumental commitment. The expected factor loadings were questions OC1, OC2, OC3, OC6, OC8, OC9, OC11, and OC12 which would measure normative commitment; and questions OC4, OC5, OC7, and OC10 which would measure instrumental commitment.

Table 8 shows the rotated component matrix for organizational commitment. The table reveals that the items did not load as expected. The first factor, normative commitment, loaded with ten items and the second factor, instrumental commitment, loaded with only two items. As shown in Table 9, the construct of normative commitment had an eigenvalue of 4.87 and explained 40.59% of the variance. The

Table 8  
Rotated Component Matrix - Organizational Commitment

	Component	
	1	2
org com 9	.776	
org com 8	.766	
org com 11	.759	
org com 1	.743	
org com 2	.730	
org com 6	.718	
org com 12	.640	
org com 5	.616	
org com 3	.592	
org com 4	.581	
org com 7		.775
org com 10		.748

second factor, instrumental commitment, had an eigenvalue of 1.77 and explained 14.76% of the variance.

The reliability tests showed the construct of normative commitment had a Cronbach's alpha value of .89. The construct of instrumental commitment had a Cronbach's alpha value of .53. The alpha value of .53 for instrumental commitment presented a problem. The generally agreed upon lower limit for Cronbach's alpha is .70. The low alpha value for instrumental commitment indicates that the two items loading on that factor are not reliable in predicting instrumental commitment. Therefore, I decided

to eliminate instrumental commitment from analysis in this dissertation. The descriptive statistics and scale reliabilities are shown in Table 14.

Table 9  
Total Variance Explained - Organizational Commitment

Component	Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %
1 - Normative Commitment	4.87	40.59	40.59
2 - Instrumental Commitment	1.77	14.76	55.35

Extraction Method: Principal Component Analysis.

#### Ethical Climate

The Ethical Climate Questionnaire (ECQ) created by Victor and Cullen (1987) was used to assess the dimensions of ethical climate perceived by the respondents. Twenty-six items were used and it was expected that five factors would be extracted. In this study four factors were extracted, as shown in Table 10. The hypothesized factors of law and code, and rules and procedures, merged to form a single factor referred to as law and rules.

The first factor, law and rules, had eight items load with an eigenvalue of 5.09 and explained 19.59% of the variance, as shown in Table 11. The second factor, caring, had an eigenvalue of 4.23 and explained 16.28% of the variance. The third factor, instrumental, had an eigenvalue of 3.23 and explained 12.44%. The fourth and final

Table 10  
Rotated Component Matrix - Ethical Climate

	Components			
	1	2	3	4
ec 10	.833			
ec 12	.785			
ec 13	.770			
ec 11	.748			
ec 8	.712			
ec 14	.701			
ec 15	.675			
ec 9	.648			
ec 3		.781		
ec 2		.729		
ec 4		.706		
ec 1		.686		
ec 6		.645		
ec 7		.596		
ec 5		.515		
ec 19			.746	
ec 21			.717	
ec 18			.689	
ec 20			.660	
ec 16			.628	
ec 17			.619	
ec 22			.577	
ec 24				.805
ec 26				.785
ec 25				.763
ec 23				.671

Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization.  
 Rotation converged in 6 iterations.

factor, independence, had an eigenvalue of 2.51 and accounted for 9.66% of the variance in the data.

The tests of reliability showed the first factor, law and rules, had a Cronbach's alpha value of .92. Seven items loaded on the factor, caring; and had an alpha level of .86. The next factor, instrumental, had seven items load and had an alpha of .77. The final factor, independence, had four items load with an alpha of .76.

All four factors measuring ethical climate had acceptable alpha values indicating the constructs were reliable in measuring the different dimensions of ethical climate. The rotated component matrix for each of the constructs is shown in Table 10. The amount of variance explained by each of the factors is shown in Table 11.

Table 11  
Total Variance Explained - Ethical Climate

Component	Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %
1 – Law & Rules	5.09	19.59	19.59
2 – Caring	4.23	16.28	35.87
3 – Instrumental	3.23	12.44	48.31
4 – Independence	2.51	9.66	57.97

Extraction Method: Principal Component Analysis.

### Ethical Optimism and Management Actions

The ethical optimism and management actions scale was created by Hunt, Chonko & Wilcox (1984) for investigating ethical problems facing marketing researchers. The scale is comprised of 11 items and it was expected that two factors would emerge from



the scale, a factor measuring ethical optimism and a factor measuring management actions.

As shown in Table 12, four factors were extracted during the analysis, three factors measuring ethical optimism and a single factor identified as management actions.

Table 12  
Rotated Component Matrix - Ethical Optimism and Top Management Actions

	Component			
	1	2	3	4
Eth Opt 7	.901			
Eth Opt 8	.859			
Eth Opt 6	.821			
Eth Opt 5	.630			
Top Mgt Act 11		.873		
Top Mgt Act 10		.854		
Top Mgt Act 9		.805		
Eth Opt 1			.871	
Eth Opt 2			.802	
Eth Opt 3				.869
Eth Opt 4				.657

Principal Component Analysis. Rotation Method: Varimax with Kaiser Normalization. Rotation converged in 5 iterations.

The first factor extracted, parasite, as shown in Table 13, had four items load with an eigenvalue of 2.93 and accounted for 26.62% of the variance. The second factor, management actions, had three items load with an eigenvalue of 2.20 and explained nearly 20% of the variance. The next factor, bad behavior, had two items load with an

eigenvalue of 1.60 and accounted for 14.55% of the variance. The final factor, ruthless, had two items load with an eigenvalue of 1.47 and explained 13.36% of the variance. The reliability tests showed that all four factors met the criteria for reliability. The factor alpha values were, parasite, .87; bad behavior, .71; ruthless, .94; and management actions, .80.

Table 13  
Total Variance Explained - Ethical Optimism and Top Management Actions

Component	Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %
1 – Parasite	2.93	26.62	26.62
2 – Management Actions	2.20	19.98	46.60
3 – Bad Behavior	1.60	14.55	61.15
4 – Ruthless	1.47	13.36	74.51

Extraction Method: Principal Component Analysis.

Table 14 displays the Pearson correlation coefficients for the model constructs. According to Sharma and Patterson (1999) comparing the alpha coefficients of each construct and its correlation coefficients with other constructs aids in assessing discriminant validity. If the alpha coefficient is greater than the across correlations coefficient, evidence of discriminant validity has been demonstrated.

## Derivation of Model Variables

The factor analysis discussed above was a precursor to using path analysis to test the hypotheses in this dissertation. Utilizing factor analysis with the dataset prior to performing path analysis yielded a parsimonious set of variables to be used as inputs for path analysis. These variables are shown below in Table 14 with their means, standard deviations, and alpha values. These variables were used, less the construct of instrumental commitment because of a low alpha value, to measure the eight remaining latent variables that were now contained in the model (i.e., normative commitment, caring ethical climate, law & rules ethical climate, instrumental ethical climate,

Table 14  
Descriptive Statistics and Scale Reliabilities

Construct	Mean	Standard Deviation	Alpha	Number of Items
<b>Organizational Commitment</b>				
Normative Commitment	23.99	7.76	.89	10
Instrumental Commitment	6.81	2.04	.53	2
<b>Ethical Climate</b>				
Caring Ethical Climate	26.92	5.77	.86	7
Law & Rules Ethical Climate	31.64	7.02	.92	8
Instrumental Ethical Climate	16.56	6.59	.77	7
Independent Ethical Climate	10.13	4.26	.76	4
<b>Ethical Optimism</b>				
Parasite	19.27	6.12	.87	4
Bad Behavior	8.38	3.29	.71	2
Ruthless	8.14	2.14	.94	2
Management Actions	9.75	4.40	.80	3

independent ethical climate, parasite, bad behavior, and ruthless).

Numeric values for the eight constructs to be tested were generated using SPSS software, version 9.0. Summing the values for the appropriate items and saving the result as a new variable created the means represented in Table 14. In total, eight new variables were created for use in path analysis.

### Reliability

Table 14 presents the results of reliability analysis using coefficient alphas for the factors that were generated as discussed earlier in this chapter. All values of alpha were calculated from the final dataset used in this dissertation with SPSS software, version 9.0. As shown in Table 14, the two-item construct of instrumental organizational commitment yielded an unacceptable value ( $\alpha = .53$ ) for coefficient alpha and was removed from further analysis. All of the other values for alpha were above the acceptable level stated by Nunnally's (1978) minimum guideline of .70.

The reliability of the two-item bad behavior dimension is marginally acceptable since its alpha value is very close to the minimum threshold of .70. Furthermore, its value exceeds the .60 value Malhotra (1996) mentions as a minimum for survey research. Thus, it may be considered to be acceptable for purposes of this dissertation. Therefore, based on the summary shown in Table 14, the reliability of the survey instrument used for this dissertation is considered acceptable.

### Validity

Validity assesses if the scale is measuring the desired construct. A valid measurement should measure what the research purports to measure (Kerlinger &

Pedhazur, 1973). In order to obtain construct validity, research should be guided by a rigorous conceptual model, which indicates the relationships among each construct (Malhotra, 1996). The proposed model in this dissertation, which indicates how the constructs related to others, was developed within the theoretical framework discussed in Chapter 2.

The following two types of validity were employed to examine the research instrument validity: content validity and construct validity. Content validity focuses upon the degree to which an instrument assesses the relevant aspects of the conceptual domain the instrument is intended to measure (Grimm and Yarnold, 2000). Thus, it may be considered that conditions for content validity have been satisfied for purposes of this dissertation in that the scales employed have been previously utilized by many researchers and have been found to produce reasonably consistent results.

In addition to content validity, an assessment of construct validity was also performed. The two key concepts to be addressed in this area are convergent and discriminant validity. Table 15 shows the results of assessing correlations between the pairs of nine constructs contained in this dissertation. The Pearson correlation coefficient was applied to examine convergent validity. According to Malhotra (1999), convergent validity is the extent to which a measurement correlates positively with other measurements of the same construct. As anticipated, the results of ethical climate subscales show evidence of intercorrelations ranging from  $-.18$  to  $.65$ . These are comparable with other studies (Argarwal and Malloy, 1999; Deshpande, 1996; Elm and Nichols, 1993; Harvey, 2000; Joseph and Deshpande, 1997) and consistent with Victor

and Cullen's (1987, 1988) theory, which suggests the interrelationships are theoretically acceptable and do not interfere with the objective to measure a dominant climate.

Next, discriminant validity was examined to assess "the extent to which a measure does not correlate with other constructs from which it is supposed to differ" (Malhotra, 1999, p. 283). According to Sharma and Patterson (1999), comparing the alpha coefficients of each construct and its correlation coefficients with other constructs can assess discriminant validity. If the alpha coefficient is higher than the across correlations, this provides evidence of discriminant validity. As evidenced in comparing the alpha coefficients from Table 14 with the correlation coefficients shown in Table 15 discriminant validity is supported.

Upon examining the results of the tests for reliability and validity performed on the dataset for this dissertation it is asserted that the requirements for reliability and validity have been met.

#### Path Analysis Output

To test the hypotheses proposed in Chapter 3, and graphically represented in Figure 1, a path model was generated. Prior to testing the hypothesis three control variables (location, tenure, and sex) were included in the path model to test whether they exerted any main effects that needed to be controlled. There were no significant paths to any of the endogenous or exogenous variables in the path model.

Table 15  
Correlations for All Constructs

	Care	Law	Instrum	Independ	Parasite	Behavior	Ruthless	Mgt Actions	Norm Com
Care									
Law	.65**								
Instrum	-.18**	-.10							
Independ	.04	.03	.22**						
Parasite	.31**	.31**	-.30**	-.03					
Behavior	.30**	.40**	-.23**	.04	.46**				
Ruthless	.09	.15*	-.12	.04	.23**	.10			
Mgt Actions	-.28**	-.32**	.25**	.11	-.23**	-.13*	-.11		
Norm Com	-.33**	-.30**	.19**	.01	-.14*	-.07	.02	.32**	

\*\* Correlation is significant at the 0.01 level.

\*Correlation is significant at the 0.05 level.

The results of the hypothesized relationships represented in the path model are presented in Table 16. As evidenced from an examination of the path coefficients and their corresponding significance levels, three of the hypotheses received at least partial support. Multiple ethical work climates of caring, law and rules, instrumental, and independent were all identified. Specifically, the ethical work climate of law and rules was positively associated with the parasite and bad behavior dimensions of ethical optimism as shown in Table 16 (standardized regression weight (SRW) = .186,  $p < .05$  and .358,  $p < .001$ , respectively). Instrumental ethical work climate was significantly and

negatively related to parasite ethical optimism (SRW=-.245,  $p < .001$ ) and bad behavior (SRW=-.208,  $p < .001$ ).

Significant results were found with management actions relating to three dimensions of ethical climate. Management actions were negatively associated with a caring ethical climate (SRW=-.282,  $p < .001$ ) and law and rules ethical climate (SRW=-.315,  $p < .001$ ). Management actions were positively related with an instrumental ethical work climate (SRW= .245,  $p < .001$ ). Additionally, normative commitment was positively affected by management actions (SRW= .309,  $p < .001$ ). These results generated by management actions were not unexpected as described in the literature by Wimbush and Shepard (1994). If an individual does or does not receive tips had no statistically significant effects on the perception of ethical climate or ethical optimism.

#### Model Fit

Determining the overall goodness-of-fit for a structural equation model is challenging. There is not a single statistic that best describes the strength of a model, therefore a number of tests have been developed to assist in assessing modeling results (Grimm & Yarnold, 2000). I have selected to discuss two types of fit statistics: overall fit and incremental fit. While these tests provide helpful guidelines, they do not provide an ultimate answer to acceptability of fit.

The mixed support for the hypotheses presented earlier indicates the path model presented in Chapter 3 is unlikely to provide the best possible representation of the data. Further evidence of questionable model fit is found in the statistical indices employed in the structural equations model evaluation.



As noted in the presentation of the results of hypothesis testing, the number of non-significant paths indicates the path model presented in Figure 1 (Chapter 3, pg. 56) does not provide a very good fit to the data. The  $\chi^2$  test confirms this poor fit ( $\chi^2$  (18, n=263)=48.027, p< .000). The fit indices used to assess the overall fit of the model indicated the poor fit to the data. Table 17 provides a comparison of the fit indices for the hypothesized model and the re-specified model. The goodness-of-fit index (GFI) for the hypothesized model was .929. The GFI is a non-statistical measure representing the overall fit, however, it is not adjusted for the degrees of freedom. Higher values are considered to represent a better fit, however no absolute thresholds for acceptability have been established (Hair et al, 1998).

Two tests for incremental fit were used to assess the data, the incremental fit index (IFI) and the comparative fit index (CFI). Incremental fit measures compare the model to some baseline model, usually referred to as the null model. A perfect fit would be a model with a value of 1.0. The generally accepted cutoff for the GFI, IFI, and CFI is .90 (Bentler & Bonett, 1980). The IFI and CFI for the hypothesized model were .86 and .85 respectively.

In an effort to determine which construct relationships provided the best explanation for the data, a post hoc, model re-specification approach was employed. Utilizing the modification index provided by AMOS and theoretical relevance, the non-significant paths were deleted along with variables that did not contribute to the model. Only those paths for which there was theoretical justification were added (Arbuckle, 1997).

Table 16  
Hypothesis Test/Path Analysis Results

Hypothesis	Path	Coefficient
H1a	Organization →Care	-.072
	Organization →Law	-.019
	Organization →Instrumental	-.021
	Organization →Independent	-.120
H1b	Title →Care	-.094
	Title →Law	-.057
	Title →Instrumental	-.081
	Title →Independent	.052
H2	Tips →Care	-.082
	Tips →Law	-.048
	Tips →Instrumental	-.105
	Tips →Independent	-.050
H3	Care→ Parasite	.122
	Law→ Bad Behavior	.358**
	Instrumental→ Ruthless	-.108
	Independent→ Ruthless	.062
	Care→ Bad Behavior	.041
	Law→ Parasite	.186*
	Instrumental→ Bad Behavior	-.208**
	Independent→ Parasite	.020
	Care→ Ruthless	-.035
	Law→ Ruthless	.146
	Instrumental→ Parasite	-.245**
	Independent→ Bad Behavior	.066
H4	Parasite→ Norm Com	.199
	Bad Behavior→ Norm Com	-.002
	Ruthless→ Norm Com	.057
	Management Actions→ Parasite	-.083
	Management Actions→ Bad Behavior	.035
	Management Actions→ Ruthless	-.054
	Management Actions→ Norm Com	.309**
	Management Actions→ Care	-.282**
	Management Actions→ Law	-.315**
	Management Actions→ Instrumental	.245**
Management Actions→ Independent	.109	

All coefficients are standardized for ease of interpretation.

\* p<.05

\*\*p<.01

Table 17  
Path Model Fit Measures

	Hypothesized Model	Respecified Model
P	.000	.092
Goodness-of-Fit Index (GFI)	.929	.983
Adjusted GFI (AGFI)	.759	.949
Normed Fit Index (NFI)	.833	.955
Relative Fit Index (RFI)	.521	.894
Incremental Fit Index (IFI)	.861	.983
Tucker-Lewis Index	.575	.959
Comparative Fit Index (CFI)	.852	.982

#### Post Hoc Model Re-specification

Model re-specification includes two procedures, the removal of all non-significant paths and constructs and the addition of paths specified by the modification indices. The modification indices predict the reduction in the  $\chi^2$  statistic with the removal of non-significant paths and the addition of a given path. The goal of the process is to generate a model providing the most parsimonious explanation of the data.

Figure 2 displays the path model resulting from the model re-specification process. The fit indices comparison shown in Table 17 reflect the improvement in the model after post hoc re-specification demonstrating the revised model to be considerably more parsimonious than the hypothesized model. All paths shown in the model are significant and the standardized regression weights and p-values for the new model are displayed in Table 18.

The re-specified model now has a  $\chi^2(12, n=263) = 18.84, p = .09, GFI = .98, IFI = .98, CFI = .98$ . This increase in the parsimony of the model is generally preferred over models of greater complexity (Arbuckle, 1997).

Table 18  
Respecified Path Coefficients

Hypothesis	Path	Coefficient
	Management Actions→ Instrumental Ethical Climate	.246**
	Management Actions→ Law & Rules Ethical Climate	-.315**
	Management Actions→ Caring Ethical Climate	-.281**
	Management Actions→ Normative Commitment	.320**
	Law & Rules Ethical Climate→ Bad Behavior	.379**
	Law & Rules Ethical Climate→ Ruthless	.152*
	Law & Rules Ethical Climate→ Parasite	.291**
	Instrumental Ethical Climate→ Bad Behavior	-.189**
	Instrumental Ethical Climate→ Parasite	-.254**
	Caring Ethical Climate→ Normative Commitment	-.265**

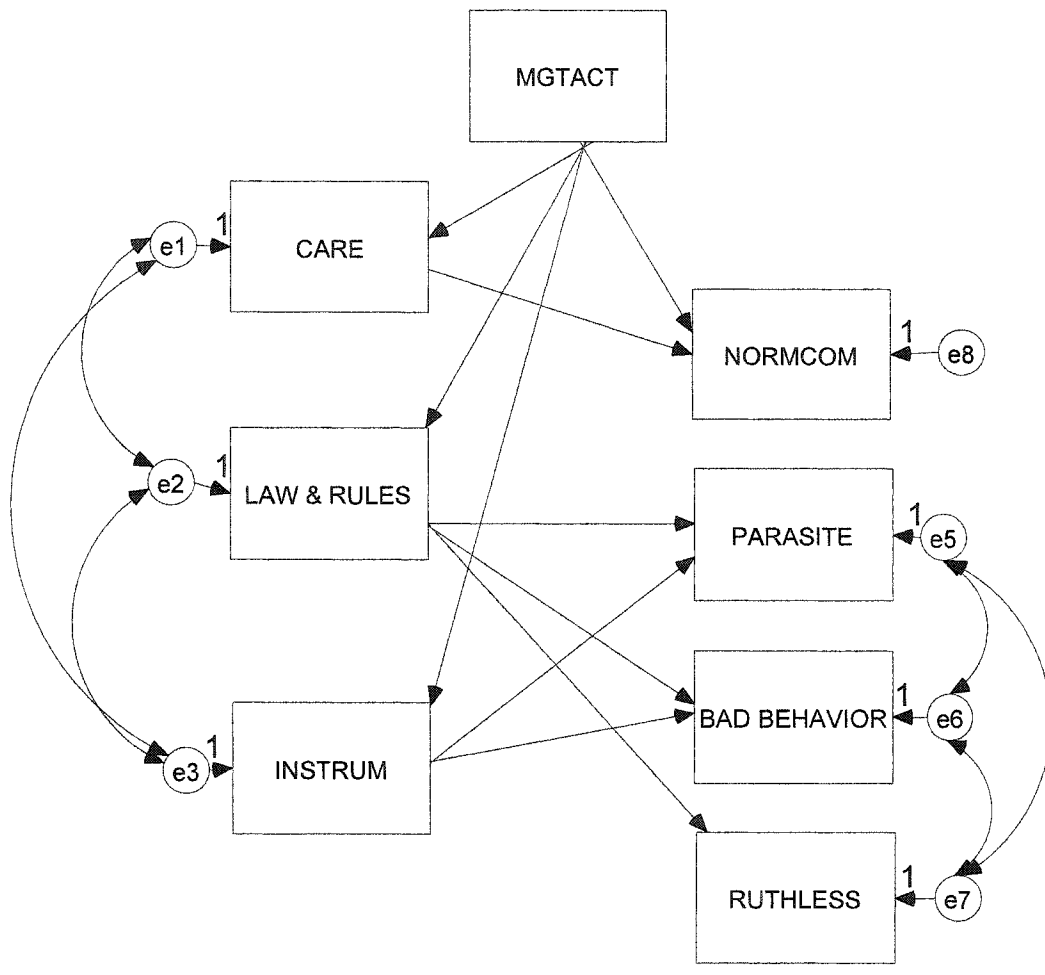
\*  $p < .05$   
\*\*  $p \leq .001$

The expected influence of position within the organization, the organization itself, and if an individual receives tips, had no effect on the perception of ethical climate or ethical optimism. Management actions, as expected, were associated with all three dimensions of ethical climate. What is interesting to note is that management actions were positively associated with instrumental ethical climate (SRW = .246,  $p \leq .01$ ) and negatively associated with care and law and rules climates (SRW = -.281,  $p \leq .01$  and SRW = -.315,  $p \leq .01$ ), respectively.

Management actions also had indirect effects upon the three dimensions of ethical optimism. The indirect effects of management actions observed were -.048 on the dimension of ruthless optimism; -.166 on the dimension of bad behavior; and, -.154 on the dimension of parasite.

Law and rules ethical climate was significantly associated with all three dimensions of ethical optimism. An additional, if not peculiar, path was added between caring ethical climate and normative organizational commitment indicating a negative association (SRW = -.265,  $p \leq .01$ ).

Figure 2  
Respecified Path Model – Best Fit



## Summary

This chapter has presented the findings and results of this study. The final chapter of this dissertation summarizes the study, discusses the implications of the tests of the hypotheses, and offers suggestions for future research.

## CHAPTER 5

### DISCUSSION AND CONCLUSIONS

This chapter summarizes and discusses the findings of this study, and reviews the implications derived from those findings. In the first section of the chapter, a review summary of the study and a discussion of the specific results of hypothesis testing from chapter four are presented. General conclusions are offered, followed by limitations and implications. The chapter concludes with suggestions for future research.

#### Summary of the Study

This dissertation proposed to examine the relationship between ethical climate and management actions and the combined effect created upon ethical optimism. The impact of ethical optimism upon organizational commitment was also examined. In addition, the model proposed that position within the organization, the organization itself, and type of compensation (tips) would have an effect upon individual perceptions of ethical climate and ethical optimism.

The sampling frame for this study involved restaurant employees and managers working at ten locations for two organizations. These employees and managers responded to a survey instrument attached to their paycheck during the months of April and May 2003. A total of 745 survey instruments were distributed during that time



period. Of these, 263 net usable responses were returned, resulting in a 36.0 percent overall response rate. This figure is deemed to be good for a study of this nature. It also provided a sufficient number of observations for the quantitative data analysis that was required in order to test the hypotheses in this dissertation.

A total of five hypotheses were articulated and tested in this study, based upon the data that were collected from employees and managers responding to the survey instrument. Path analysis was employed to test the hypotheses. In addition, the study was examined for reliability and validity considerations required in survey research of this type. The next section of the chapter discusses the results of testing the hypotheses, the implications, and suggestions for future research.

#### Ethical Climate

Hypothesis 1a stated that multiple ethical work climates would exist within the organizations participating in this study as found in previous research (Harvey, 2000; Loe, 1996; Victor & Cullen, 1987). This hypothesis was supported by the results with the identification of four ethical work climates.

The four dimensions of ethical climate were identified as caring, law and rules, instrumental, and independent. The missing and expected fifth dimension was a separate construct of rules and procedures. The questions expected to load onto this construct merged into the dimension of law and code. This result is not entirely unexpected as the two dimensions are very similar in nature; both identify an ethical climate defined by following specific directions on how to behave. These results will be discussed in greater detail later in this chapter.

Hypothesis 1b stated that the perception of ethical work climate would be influenced by an individual's position in the organization. This hypothesis was not supported. There were no statistically significant differences found among ethical climate perceptions by position worked in the restaurant.

A continuation of this finding denies support for hypotheses 2a and 2b, which stated that tipped employees would perceive the ethical climate to be more instrumental than non-tipped employees. The results indicate no statistically significant differences in the ethical climate perceptions of tipped versus non-tipped employees.

Hypothesis 3a stated that an instrumental ethical climate would be negatively associated with ethical optimism. The findings indicate there was statistically significant support for this hypothesis. An instrumental ethical work climate was negatively associated with the ethical optimism dimension of bad behavior as well as the ethical optimism dimension of parasite. These results indicate that individuals perceiving the ethical climate to be instrumental are not optimistic about others in the organization behaving in an ethical manner. Additionally, the ethical optimism dimension of parasite, defined by individuals making others look bad or taking credit for the good work of others, also has a statistically significant relationship with an instrumental ethical climate.

Hypothesis 3b suggested the three remaining dimensions of ethical climate would be positively associated with ethical optimism. The findings provide partial support for this hypothesis. The ethical climate of law and rules was found to have a positive and statistically significant influence on all ethical optimism dimensions of bad behavior, ruthlessness, and parasite. This result is not surprising considering the emphasis in the

restaurant industry on following established procedures, recipes, and codes enforced by local municipalities.

### Management Actions

The actions of management were found to be the most influential factor of this study. The actions of managers showed positive and negative direct effects upon the significant dimensions of ethical climate observed in this study.

Hypothesis 4a, which stated that management actions will be positively associated with ethical climate was not supported by the results of this study. A law and rules climate and a caring climate were negatively associated with management actions. These results led me to believe the actions of managers may be perceived by employees as being contrary to, or in opposition of, an ethical climate characterized as caring and concerned with the needs and wants of others. This perception may be created by the behavior modeled by management. Victor and Cullen (1988) found that employee ethical behavior was significantly influenced through modeling.

The negative relationship between management actions and a law and rules climate may indicate the perception that management expects or requires employees to act in violation of laws or standards. Pressures to operate a profitable restaurant may influence managers to compromise their standards or act in violation of the law. Another possibility is that this result is indicative of the honesty of the responses of employees. The employees may not have been afraid to state that management does not operate in a highly ethical manner at all times.

In a study conducted by Alam (1999) of middle and lower level managers' perceptions of organizational ethics, he made several interesting observations. The majority of the respondents believe:

1. Pressures from the top create a feeling of obligation to compromise personal standards.
2. Ruthless business competition and organizational climate contribute to an unethical environment.
3. The main job of a manager is to secure profit above all else.
4. Conflict exists between corporate and personal ethics.

The results of this dissertation serve to provide further support for Alam's earlier study.

An instrumental ethical climate, a climate in which individuals focus upon what is best for them or, possibly, the organization, was found to have a positive relationship with management actions. A plausible explanation for this result may be that managers influence organizational members to act in a manner serving the best interests of the organization.

Management actions were also found to have a significant negative indirect effect upon the three dimensions of ethical optimism in support of hypothesis 4b. The relationship between management actions and the dimensions of bad behavior, ruthlessness, and parasite behavior indicate that managers can deter these types of behavior. The three dimensions of ethical optimism are founded upon an individual acting in a manner not consistent with what is perceived to be "good" behavior.

Organizations would seem to benefit from management actions being perceived as unsupportive of these types of ethical conditions. The dimension of bad behavior

reflects an organizational perception of individuals often engaging in unethical behavior. The dimension of ruthlessness reflects conditions whereby individuals perceive it as necessary to engage in unethical behavior in order to enjoy success in the organization. The third dimension, parasite, reflects the perception that successful people in the organization enjoy success at others' expense. This could manifest in several ways; making rivals look "bad" in the eyes of important people within the organization, taking credit for the acts and ideas of others, and/or finding scapegoats for perceived personal failures.

From an ethical perspective of rights and duties, managers have the right to act according to their personal value systems and not a system imposed upon them by the organization. However, from a moral perspective, managers have a duty to the organization to represent the organization in a manner consistent with the values of the organization. Organizations must exercise careful consideration in the management selection process to ensure managers share the same values as does the organization. In addition to being an important source for employees' perceptions of ethics, supervisors are important in influencing ethical behaviors (Wimbush & Shepard, 1994; Posner & Schmidt, 1984).

### Ethical Optimism

The results of this study did not support the hypothesis that ethical optimism would have a positive relationship with normative organizational commitment. The expectation of single dimension of ethical optimism was not supported as well. This study found ethical optimism to be composed of three separate and distinct dimensions:

bad behavior (individuals often engage in unethical behavior), ruthlessness (successful individuals in the organization are unethical), and parasite (successful individuals seek ways to make others look bad).

A possible explanation of why this study did not replicate earlier studies examining ethical optimism may be that in all previous studies examining ethical optimism the respondents were members of management. This study included employees (n=249) as well as members of management (n=14). The inclusion of such a large number of employees in the study possibly provided a greater diversity in perspective of ethical optimism. Employees performing different tasks within the restaurant may well have viewed ethical optimism from their unique position, although no statistical significance was found indicating different perceptions of ethical optimism by job performed. Another possible explanation for the emergence of three dimensions of optimism may be that these results are peculiar to the restaurant industry.

### Organizational Commitment

This study found no support for hypotheses 5a and 5b that ethical optimism would influence organizational commitment. The only statistically significant finding was management actions having positive direct and indirect effects on normative organizational commitment. This result is not surprising in light of management having such a strong impact upon the entire workplace. If individuals feel needed and well taken care of within the organization by management then it is not a far stretch to recognize the actions of managers increasing the commitment of the organizational members.

## Limitations

Several factors related to this research must be taken into consideration when drawing conclusions from the findings. First, this study included only two restaurant organizations, which affects the generalizability of the findings. Organizations operating in different market segments or geographical locations, or of different sizes may have produced different results.

Another possible limitation lies in the socially desirable responses, which may be present when respondents are asked for their perceptions of sensitive subjects, such as ethics. Great efforts, both written and verbal, were made to assure respondents of anonymity. However, some individuals when personally asked to participate in the study declined for reasons known only to them. The questionnaire indicated that completed instruments would be transported to the university supporting this research and would remain the property of the university without any possibility of being retained by the organization itself.

## Implications

The results of this study provide practitioners insight into how management actions influence the organization. Managers are faced with a responsibility to the organization and its stakeholders to engage in business practices, which will provide a profit to the company. In order to achieve this goal, managers and other employees may feel a need to compromise the ethical standards of the organization.

This research is consistent with previous studies indicating that management actions have significant effects on the ethical orientation of the organization (Victor &

Cullen, 1988; Wimbush, 1991). Managers influence the ethical climate as perceived by employees through modeling of ethical and unethical behaviors (Victor & Cullen, 1988).

The influence of managers lends importance to all actions they take with regards to not only the perception of the ethical climate, but also the impact on organizational commitment. The negative perception of management actions upon a caring ethical climate may have consequences for restaurant customers and employees. Employees may perceive the negative relationship as one in which managers do not provide a caring ethical climate for employees and are only concerned for the profitability and successful operation of the restaurant. Customers may be affected by employees operating from a perspective whereby the main concern is for the operation of the restaurant and not the care and well-being of the customer. The potential for negative consequences as a result of this type of mentality are great. Customers and/or employees who feel neglected by management may discontinue doing business with the organization or, in the case of employees, leave the organization.

#### Suggestions for Future Research

Given that this is the only known attempt to assess the impact of ethical climate on ethical optimism and organizational commitment in the restaurant industry, repeated testing is recommended. The development of an overall measure of ethical work climate would enhance the testing of the effect of ethical climate on ethical optimism.

Additionally, it would be beneficial to further test the ethical optimism scale in other restaurant organizations to see if the items would load onto the factors found in this



study. Researchers may also want to consider examining multiple restaurant organizations, which would provide an avenue for comparison among firms.

Future research should focus upon the weight carried by each dimension of ethical climate (caring, law and rules, instrumental, and independence) in their relationship to ethical optimism.

The recent focus on ethics in business has created important opportunities in the area of restaurant climate research. Assessment of the perceptions of the ethical climate in the restaurant industry may provide more accurate information about the ethical climate as compared to the present method of “guessing” by management. This study attempted to measure restaurant employees’ and managers’ perceptions of the ethical climate, ethical optimism, and management actions, and their impact upon organizational commitment. Future qualitative and quantitative research in this area will improve understanding of the ethical climate in the restaurant industry and may, in turn, increase ethical optimism and organizational commitment.

APPENDIX I  
COVER LETTER

Dear Restaurant Employee,

Unethical behavior in business continues to be a significant problem for all members of society. Corporate wrongdoing has cost individuals not only millions of dollars, but also their careers (e.g. Arthur Anderson, Enron, Tyco, etc.). I am seeking your help to determine exactly what types of ethical climates exist in restaurants and how these climates impact the organizational commitment of employees.

I would appreciate your volunteering to participate in this study by completing the following survey. By participating, you will be contributing to important research about ethical perceptions in the restaurant industry.

You may be assured of complete confidentiality of your responses. The attached signature and information page will be removed from the survey instrument when the data are evaluated. No reference will be made in written or oral materials that could link you to this study. All records will be stored in a locked facility at UNLV for at least 3 years after completion of the study.

If you have any questions about the study, or if you experience harmful effects as a result of participation in this study, you may contact Dr. David Corsun at 702-895-4967. For questions regarding the rights of research subjects, you may contact the UNLV Office for the Protection of Research Subjects at 702-895-2794.

Thank you for your time in contributing to this project.

Sincerely,

Clark S. Kincaid  
Doctoral Candidate  
William F. Harrah College of Hotel Administration  
University of Nevada, Las Vegas

APPENDIX II  
SURVEY INSTRUMENT

## ORGANIZATIONAL COMMITMENT

**Directions:**

Please read each of the following statements about your job carefully. For each statement, you are asked to rate your level of agreement on the five-point scale provided. Please circle the *one* best response to each statement below.

---

1. Strongly Agree					
2. Agree					
3. Neither Agree nor Disagree					
4. Disagree					
5. Strongly Disagree					
<hr/>					
1. What this organization stands for is important to me.	1	2	3	4	5
2. I talk up this organization to my friends as a great organization to work for.	1	2	3	4	5
3. If the values of this organization were different, I would not be as attached to this organization.	1	2	3	4	5
4. How hard I work for the organization is directly linked to how much I am rewarded.	1	2	3	4	5
5. In order for me to get rewarded around here, it is necessary to express the right attitude.	1	2	3	4	5
6. Since joining this organization, my personal values and those to the organization have become more similar.	1	2	3	4	5
7. My private views about this organization are different from those I express publicly.	1	2	3	4	5
8. The reason I prefer this organization to others is because of what it stands for, that is, its values.	1	2	3	4	5
9. My attachment to this organization is primarily based on the similarity of my values and those represented by the organization.	1	2	3	4	5
10. Unless I'm rewarded for it in some way, I see no reason to expend extra effort on behalf of this organization.	1	2	3	4	5
11. I am proud to tell others that I am part of this organization.	1	2	3	4	5
12. I feel a sense of 'ownership' for this organization rather than being just an employee.	1	2	3	4	5

---

## ETHICAL OPTIMISM

Instructions: Please respond to the following statements about your perceptions of your company.

	1. Strongly Agree	2. Agree	3. Slightly Agree	4. Neither Agree nor Disagree	5. Slightly Disagree	6. Disagree	7. Strongly Disagree
1. Individuals in my company often engage in behaviors that I consider unethical.	1	2	3	4	5	6	7
2. There are many opportunities for individuals in my company to engage in unethical behavior	1	2	3	4	5	6	7
3. Successful individuals in my company are generally more unethical than unsuccessful individuals.	1	2	3	4	5	6	7
4. In order to succeed in my company it is often necessary to compromise one's ethics.	1	2	3	4	5	6	7
5. Successful individuals in my company withhold information that is detrimental to their success.	1	2	3	4	5	6	7
6. Successful individuals in my company make rivals look bad in the eyes of important people in my company.	1	2	3	4	5	6	7
7. Successful individuals in my company look for a "scapegoat" when they feel they may be associated with failure.	1	2	3	4	5	6	7
8. Successful individuals in my company take credit for the ideas and accomplishments of others.	1	2	3	4	5	6	7
9. Top management in my company has let it be known in no uncertain terms that unethical behaviors will not be tolerated.	1	2	3	4	5	6	7
10. If an individual in my company is discovered to have engaged in unethical behavior that results primarily in personal gain (rather than corporate gain) s/he will be promptly reprimanded.	1	2	3	4	5	6	7
11. If an individual in my company is discovered to have engaged in unethical behavior that results in primarily corporate gain (rather than personal gain) s/he will be promptly reprimanded.	1	2	3	4	5	6	7

## ETHICAL CLIMATE

The following section asks some questions about the overall nature of the business environment where you currently are working. Please answer the following in terms of how it really is in your company, *not* how you would prefer it to be. After reading each statement carefully, circle the appropriate number on the scale of 0 (completely false) to 5 (completely true). Remember that all answers remain strictly confidential.

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0. Completely False						
1. Mostly False						
2. Somewhat False						
3. Somewhat True						
4. Mostly True						
5. Completely True						
<hr/>						
1. In this company, doing what is best for everyone is the major consideration.	0	1	2	3	4	5
2. The most important concern is the good of all the people in the company as a whole.	0	1	2	3	4	5
3. My company's major concern is always what is best for people.	0	1	2	3	4	5
4. In my company, people look out for each other's welfare.	0	1	2	3	4	5
5. In my company, it is expected that I will always do what is right for the customers and public.	0	1	2	3	4	5
6. The most efficient way, is always the right way in my company.	0	1	2	3	4	5
7. In my company, each person is expected, above all, to work efficiently.	0	1	2	3	4	5
8. People are expected to comply with the law and professional standards over and above other considerations	0	1	2	3	4	5
9. In my company, the law or ethical code of our profession is the major consideration.	0	1	2	3	4	5
10. In my company, people are expected to strictly follow legal or professional standards.	0	1	2	3	4	5
11. In my company, the first consideration is whether a decision violates any law.	0	1	2	3	4	5
12. It is very important to follow rules and procedures in my company.	0	1	2	3	4	5
13. Everyone is expected to stick by company rules and procedures.	0	1	2	3	4	5

---

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	0	1	2	3	4	5
0. Completely False						
1. Mostly False						
2. Somewhat False						
3. Somewhat True						
4. Mostly True						
5. Completely True						
14. Successful people in my company go by the book.	0	1	2	3	4	5
15. People in company strictly obey the company policies.	0	1	2	3	4	5
16. In my company, people protect their own interests above all else.	0	1	2	3	4	5
17. In my company, people are mostly out for themselves.	0	1	2	3	4	5
18. There is no room for one's own personal morals or ethics in my company.	0	1	2	3	4	5
19. People are expected to do anything to further the company's interests, regardless of the consequences.	0	1	2	3	4	5
20. People at my company are concerned with the company's interests—to the exclusion of all else.	0	1	2	3	4	5
21. Work is considered substandard only when it hurts the company's interests.	0	1	2	3	4	5
22. The major responsibility of people in my company is to control costs.	0	1	2	3	4	5
23. In my company, people are expected to follow their own personal and moral beliefs.	0	1	2	3	4	5
24. Each person in my company decides for themselves what is right and wrong.	0	1	2	3	4	5
25. The most important concern in my company is each person's own sense of right and wrong.	0	1	2	3	4	5
26. In my company, people are guided by their own personal ethics.	0	1	2	3	4	5

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## ABOUT YOU

1. How long have you worked for this organization?  
Years \_\_\_\_\_ Months \_\_\_\_\_
  
2. What is your job title?  
\_\_\_\_\_
  
3. What is your approximate age?
  - Less than 20
  - 20-25
  - 26-30
  - 31-35
  - 36 or older
  
4. What is your gender?
  - Male
  - Female
  
5. What is your highest level of education completed?
  - High school graduate
  - Some college
  - Bachelor's degree
  - Master's degree
  - Master's degree plus
  
6. How long have you worked in the restaurant industry?  
Years \_\_\_\_\_ Months \_\_\_\_\_
  
7. If you work in a tipped position, what is your average daily tip percentage?
  - 5%-9%
  - 10%-14%
  - 15%-19%
  - 20% and higher
  - I do not receive tips
  
8. What shifts do you work?
  - Breakfast
  - Lunch
  - Dinner
  - Breakfast & lunch
  - Lunch & dinner
  
9. How many hours do you average working a week?  
\_\_\_\_\_

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