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Do ethical climates impact trust in management? A study in Indian context

Abstract

Purpose – The purpose of this paper is to explore the effects of ethical climate types on trust in management using Victor and Cullen's framework, which is based upon Kohlberg's theory of moral development and Gouldner's sociocultural theory of organizations.

Design/methodology/approach – A sample of 270 employees from 10 organizations in India was used to investigate the specific relationships between ethical climate types and trust in management. Data was collected through self-report questionnaires. Exploratory factor analysis was used to identify the different types of ethical climates existing in the organizations. . Hierarchical regression analysis was used to explore the relationship between ethical climates and trust in management.

Findings – It was found that ethical climates characterized by caring, laws and codes, and rules and procedures are significant predictors of trust in management. However, no support was obtained for any impact of ethical climates emphasizing company profit, self-interest or independence on trust in management.

Research limitations/implications – Future research should examine trust in management as a mediating or moderating variable in the relationship between ethical climates and other organizational variables such as commitment, citizenship behaviour or productivity. Additionally, research could also examine different cultural and organizational contexts in testing out these relationships. The role of other constructs such as personality of supervisors and ethical sensitivity in developing trust in management may also been investigated.

Practical implications – Organizations should try to develop climates based on caring and also emphasize adherence to laws, codes and rules and procedures to bolster trust in the management.

Originality – The findings of the study are unique and original because literature examining ethical climates and trust is scarce and this is the first study to explore how ethical climates can impact trust in management in the Indian context. In particular, the results are unique for. Contrary to expectations, no negative impact of climates of self-interest, company interest and independence on trust in management could be seen in our study. The study provides managers and organizations with ways by which they can increase levels of trust in management among the employees.

Keywords: Ethical climates, trust in management, double set of factors, Indian organizations

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1. INTRODUCTION

The emerging economies of the world, particularly BRIC countries (Brazil, Russia, India and China) are attracting increasing attention. These emerging economies have a heterogeneous character at the cultural, institutional and political levels. In a globalized economy, how ethics is lived in companies based in these countries is a matter of great importance for businesses, policy makers and academicians alike. While China (e.g. Chen et al, 2004; Yen et al, 2011), Russia (e.g. Jaffe and Tsimerman, 2011) and Brazil (e.g. Duarte, , 2010) have attracted much attention in the past with regard to business ethics, it is only recently that ethics in India is attracting increased systematic attention of scholars (Berger and Herstein, 2014).

It is a common belief amongst Indians that government officials are corrupt and a businessman cannot avoid paying 'facilitation fee' to officials to get their job done (Mulla, 2003). Business executives consider company policies, corruption in government and an unethical climate prevailing in the Indian industry as major obstacles to ethical behaviour (Monappa, 1977). It is not a surprise that India has witnessed a number of major scams in the recent past. Some of the prominent scams, to name a few, were the 2G scam (2008; valued at USD 26.4 billion), coal allocation scam (2012; valued at USD 27.7 billion), commonwealth games scam (2010, valued at USD 10.5 billion), Uttar Pradesh NHRM scam valued (2012, valued at USD 1.5 billion) and Sarada scandal (2013, valued at USD 6 billion). These and other scandals drew a lot of media and public attention, bringing into light the level of corruption and lack of ethics pervading the Indian economy, polity and business world. The country witnessed many popular protests and corruption became a key agenda in the elections to the state legislative assemblies and the Indian Parliament. According to Transparency International, India was listed as 79th least corrupt nation out of 175 countries in 2016 (www.tradingeconomics.com/india/corruption-rank, 2017). The average corruption rank of India

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between 1995 and 2016 was 75.32, reaching an all-time high of 95 in 2011 and a record low of 35 in 1995 (Figure 1).
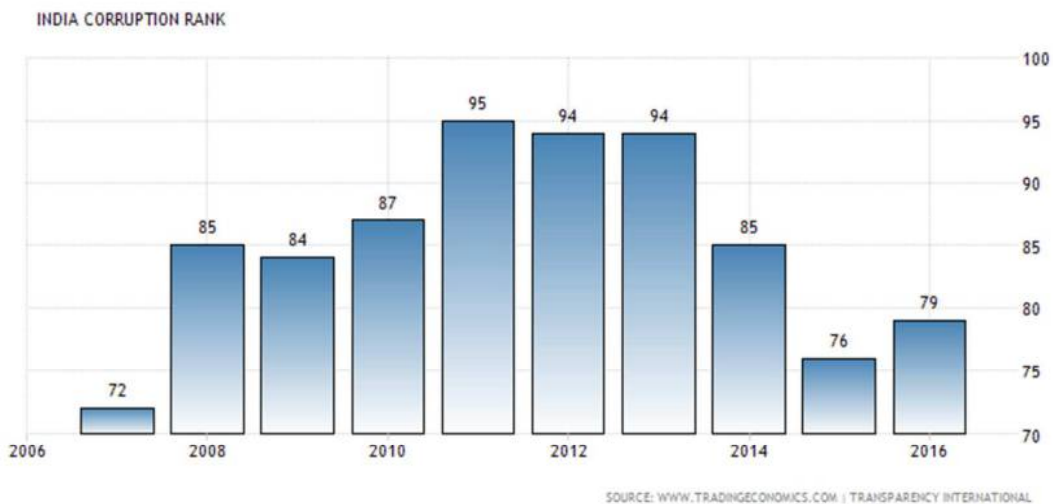

Figure 1: Corruption Perceptions Index of Transparency International for India

(Source: www.tradingeconomics.com/india/corruption-rank)

India witnessed in own Enron in the Satyam scandal. In 2009, Ramalinga Raju, CEO of Satyam, confessed to financial fraud to the tune of US$ 1.1 billion through financial reengineering. Satyam had presented a very rosy picture to its investors, analysts and employees, when actually it had inflated cash and bank balances and suppressed information on the liabilities of the company. While Raju was arrested, there was a major crisis of confidence in Satyam and loss of trust, leading to flight of employees and clients (Kumar, 2015; Bhasin, 2016).

In this context of scam ridden India, this study focusses on examining the ethical climates prevalent in Indian organizations, and their effect on trust in management. Employees monitor relevant aspects of their organizational environment and hence, beyond job and relational variables, the perceptions of climate variables is likely to impact trust. To the author's best of knowledge, the only study available that relates ethical climates to trust is that of Simha & Stachowicz-Stanusch (2015),

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but it is carried out in a Polish context. It becomes imperative to examine how ethical climates of an organization can impact trust in management in the Indian context.

Trust is fundamental in any intra-organizational and extra-organizational exchange relationships. Scholars have professed trust to be a crucial characteristic of effective organizations since long (Argyris, 1962; Coleman, 1990; Rousseau et al, 1998; Dirks and Ferrin, 2001; Castaldo, 2007). Trust has been variously examined as a relatively unchanging trait, a process, or an emergent state (Shawn Burke et al, 2007) and is widely recognized as a central outcome as well as an antecedent in many organizational studies (e.g., Jones and George, 1998; Simons, 2002; Paille et al, 2010;). Research has established that elevated levels of trust have numerous benefits at the local, organizational and societal levels (Cook and Schilke, 2010; Fukuyama, 1995). High levels of trust within an organization minimize risk and decrease operating costs (Connell et al, 2003) and increases workplace security (Young and Daniel, 2003). Low levels of trust reduce employee commitment (Brashear et al, 2005). It is thus prudent to enhance levels of trust in employees. Despite significant developments in the research on trust (McAllister, 1995; Kramer and Tyler, 1996; Dirks and Ferrin, 2001), the phenomena of trust in management as a referent in the context of ethics and ethical climates has not been examined and needs investigation. Ethical climates of organizations play a significant role in supporting the working environment in which employees operate (Trevino et al, 1998).

Many violations and misdeeds occur due to weak internal norms of the organization (Schminke et al, 2007). Management is the custodian of organizations environment by way of framing rules, policies, assignment of roles and ensuring that these are implemented fairly and ethically, and that the spirit behind these rules and policies is honoured. Unethical organizational environments can deeply affect the trust workers have in management and can encourage people to act in unethical ways, bringing about deterioration in the overall organizational effectiveness. If the organizational climate is such that it conveys a high level of trust, the employees are likely to reciprocate with high levels of

trust in management. This follows from McGregor's (1967) conceptualization that trust is influenced more by actions than by words.

Thus the following research question is framed for the study:

RQ: What is the effect of ethical climates on trust in management within the Indian context?

In particular, this paper utilizes the Victor and Cullen's (1988) framework of ethical climates, based on Kohlberg's (1984) theory of moral development and the sociocultural theories of organizations (Gouldner, 1957) to derive the ethical climate types as applicable in this study. Kohlberg (1984) suggests that moral development of an individual evolves from judging right and wrong based on pains and pleasures experienced by the individual to the stage where right and wrong are based on principles and values. Further, originating from Gouldner's (1957) theory that considered social roles as a shared set of expectations directed toward people who are assigned a given social identity, three roles are identified in the organizational context - cosmopolitan, local and individual roles.

The rest of the paper is organized as follows: section two dwells on review of literature and gives the theoretical backdrop of the study, leading to the development of hypotheses. The third section describes the methodology of the study, including sample, procedure and the measures used in the study. The findings are presented in section four while the fifth section discusses the results and its implications. The final section gives the conclusions of the study.

2. LITERATURE REVIEW AND THEORETICAL BACKDROP

Ethical Climates

There has been a lot of interest in the twenty first century in understanding organizational work climates and their impact, especially in the fields of sociology, applied psychology and behaviour within organizations (Martin and Cullen, 2006). In an organization, work climates are described

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broadly through organizational norms and practices as seen by organizational actors. The antecedents and consequences of these work climates have been studied since the 1950s.

Ethical work climate is a type of work climate that can be defined as "the prevailing perceptions of typical organizational practices and procedures that have ethical content" (Victor and Cullen, 1988, p101). Thus ethical climate ascertains the ethical characteristics of the work context directly or indirectly affecting 'the way things are done around there' (Schminke et al, 2007). It reflects the established norms, customs, beliefs, feelings and behaviours of employees. Multiple work climates, and hence multiple ethical climates, can exist in an organization (Schneider, 1975). According to Cullen et al (2003), ethical climates arise when members believe that certain criteria should govern ethical reasoning and outline what behaviours are in accordance with expected standards in the firm.

Victor and Cullen (1987, 1988) provide the seminal work on ethical climates. They have investigated different types of ethical climates in organizations using moral development (Kohlberg, 1984) and sociocultural theories of organization (Merton, 1957; Gouldner, 1957; Schneider, 1983). Their theory suggests that ethical climates vary along two dimensions. The first dimension represents the *ethical criteria,* that is, the reasoning process by which ethical decisions are made. This can be classified as egoism (maximizing self-interest), benevolence (maximizing joint interests), and principle (adherence to principle), and relate to Kohlberg's (1984) three levels of moral reasoning: preconventional, conventional, and post conventional. The second dimension relates to the scope of ethical issues being deliberated and represents the locus of analysis used as a referent in ethical decisions, or the *focus.* Here, Victor and Cullen follow sociological theory of roles and referent groups in organizations (Merton, 1957; Gouldner, 1957) to distinguish between individual-level, group-level, and societal-level concerns, which they term as individual, local (i.e., organization) and cosmopolitan (external to the firm) respectively. Crossing the three levels on each dimension yields nine theoretical climate types: self-interest, company profit, efficiency, friendship, team interest, social responsibility, personal morality, company rules and procedures, and laws and professional code.

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Each of the nine cells produces a basis for guiding decision making in organization. This is illustrated in Figure 2.

Locus of Analysis

	Individual	**Local**	**Cosmopolitan**
Egoism	Self-interest	Company profit	Efficiency
Benevolence	Friendship	Team Interest	Social Responsibility
Principle	Personal Morality	Company Rules & Procedures	Laws and Professional Codes

(left side vertical label: Ethical Criterion)

Source: Victor and Cullen (1988), p104

Figure 2: Theoretical Ethical Climate Types

However, in their empirical study involving 872 employees from four companies, only five climate types emerged instead of nine as theorized. They labelled these as "caring" (a concern for the well-being of others), "laws and codes" (whether or not any laws or professional codes are broken), "rules" (following company's policies and procedures are being followed), "instrumentality" (self-interest as a basis), and "independence" (the adherence to one's personal beliefs). The caring climate included four theorized climate types – friendship, team interest, social responsibility, and efficiency. The instrumental climate subsumed self-interest and company profit climate types.

Subsequent work in the area of business ethics furthered the theoretical domains (O'Fallon and Butterfield, 2005; Martin and Cullen, 2006). Martin and Cullen's (2006) meta-analytic review suggests different measures are often used to examine what are similar constructs, which makes the integration across studies difficult. However, Victor and Cullen's (1987, 1988) ethical climate construct is robust one and most researchers express faith in Victor and Cullen's (1987, 1988) theoretical perspective.

A number of empirical research studies ever since the ethical climate theory was proposed by Victor and Cullen (1987, 1988) have examined the relationships between ethical climate and a variety of

outcomes. Apart from variables related to ethics, these studies have included work outcomes that are frequently encountered in organizational research in various contexts, for example, ethical behaviour (Barnett and Vaicys, 2000), job satisfaction (Deshpande, 1996) salesperson's role stress, job attitudes, turnover intention, and job performance (Jaramillo et al, 2006) and deviant workplace behaviour (Peterson, 2002). Meta-analytic review carried out by Martin and Cullen (2006) identifies the consequences of ethical climate to broadly include organizational commitment, job satisfaction, psychological well-being and dysfunctional behaviour.

In Victor and Cullen's (2008) study, only five climate types emerged. Cullen et al (2003) and Martin and Cullen (2006) emphasize that all distinct climate types do not emerge in many or the organizations studied. Moreover the climates which emerge may not exactly fit into one of the nine climates of Victor and Cullen (1988). As such, a factor analysis should be performed to identify the climates which emerge in a particular context. In our study, as described later, six ethical climate types emerged – laws and codes, rules and procedures, caring, independence, company interest and self-interest.

Trust in Management

Trust is often viewed as a dyadic construct in which the behaviour of one party influences the perceptions and actions of the other party (Yakovleva et al, 2010). The cognitive dimension of trust relates to one's assessment of the reliability, integrity and fairness of the referent, while affective dimension of trust reflects a special relationship with the referent and is based on emotional bond between individuals (McAllister, 1995). Substantial parts of academic literature on trust discuss trust as a micro-level phenomenon. In this micro-level perspective, trust is often described as a dispositional attitude or state of mind (Rousseau et al, 1998; Mayer and Gavin, 2005) and is adopted by three divergent strands of literature (Bachmann, 2011). The first strand includes OB & HRM

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scholars who regard psychological factors as the most potent drivers of human behaviour (for example, many contributions in Kramer and Tyler, 1996). Rational choice assumptions are adopted by the second group of scholars such as economists. This group advocates game theoretic modelling and reduces trust to a calculative decision (e.g., Coleman, 1990). Trust is treated essentially as a moral issue by a third group of researchers (e.g., Brenkert, 1998). This paper consider trust as a psychological factor in line with the first stream of literature.

Trust can exist at a variety of levels within the organization – at an interpersonal level (e.g., between individual and co-worker, manager, subordinate), at the group level (e.g., between teams, departments), at the organizational level (e.g., between individuals, groups and the organization) and inter-organizational level (i.e., between organizations). Trust is likely to develop differently in relation to team members, management and towards organizations as a whole as trust is strengthened or weakened due to different types of experiences and interactions (Burke et al, 2007).

The concept of trust in management signifies a belief that the organizational actions will be beneficial for employees and of the employees' faith in the organizational leaders (Kim and Mauborgne, 1993). Perceptions about management actions can trigger varying degrees of trust from employees. Management may set the benchmark of organisational trust as the initiators of trust (Whitener et al, 1998). Trust in management flows from a social exchange process wherein employees interpret and reciprocate the actions of management as the primary purveyor of the personified organization's actions (Whitener, 2001). As management is the primary originator of organisational form and initiates many vertical exchanges that controls the flow of information(Creed and Miles, 1996), fostering and maintaining the trust employees have in management is particularly important for managerial and organisational effectiveness (McAllister, 1995).

The overall relationship between trust in top management and immediate supervisor with estimates of satisfaction and perceived organizational effectiveness was examined by Ellis and Shockley-

Zalabak (2001) in their study involving 2068 individuals from 60 organizations in the U.S. and Italy. Ellis and Shockley-Zalabak found that trust in top management was more strongly associated with satisfaction and effectiveness than was trust in immediate supervisor.

Associations between in-role performance and organizational citizenship behaviour (OCB) with employees' trust in their plant managers and top management team have also been investigated (Mayer and Gavin, 2005). Mayer and Gavin's study (2005) indicated that trust was related to employees' ability to focus attention on value-producing activities, which in turn was related to OCB. Trust in management also can enhance sharing of knowledge as it reduces fear of loss of one's unique value and improves willingness to document knowledge (Renzl, 2008).

Perry and Mankin (2004), while trying to remove some of the conceptual confusion regarding trust in management, found that the characteristics of the supervisor or manager (ethnicity) as well as his/her credibility and competence affect employees' trust in management. Trust in management is also affected by organizational factors like presence of layoffs and management turnover. A nine month quasi-experiment by Mayer and Davis (1999) found that the implementation of a more acceptable performance appraisal system increased trust for top management, while trustworthiness – measured through ability, benevolence, and integrity - mediated the relationship between perceptions of the appraisal system and trust in management. Chen et al (2004) examined the effect of guanxi practices in human resources management on employees' trust in management in Chinese organizations - with mixed results. In their first study (a survey), the negative effect of guanxi practices on trust in management was mediated by perceived procedural justice. In the second study, which was experimental in design, Chen et al (2004) found that the negative effect of guanxi practices varied as a function of guanxi bases: when a nephew or a hometown fellow was favoured, it lowered trust, but when a college schoolmate or a close friend was favoured, it did not lower trust.

Morgan and Zeffane (2003) focused on the potential effects of change strategies on employee trust in management. Using data from 2000 workplaces and over 19000 employees in Australia, they found significant negative effects of technological, structural and work-role change on trust. Structural reorganization particularly corrodes trust in management. When major change is involved, it is desirable to have direct consultation between employees and higher management, calling for a central role on the part of senior management.

However, no study is available that considers ethical organizational climates as an antecedent of trust in management in the Indian context. The only study that comes close is a study by Simha and Stachowicz-Stanusch (2015) in a Polish context and that examines the effects of ethical climates on trust in supervisor and trust in organization. In their study, Simha and Stachowicz-Stanusch (2015) sample 178 managerial employees from seven hospitals in Poland. Results indicate that egoistic cliamtes were negatively associated with trust in organization and trust in supervisor, whereas benevolent climates were positively associated.

Trust in management has also been studied as a moderator and mediator. Trust in management moderated work overload's impact on personal strain, i.e., burnout, psychological strain, and work's interference with family (Harvey et al, 2003). As a mediator, trust in management has mediated the relationship between transformational leadership and organizational citizenship behaviour, and also between organizational justice and organizational citizenship behaviour (Asgari et al, 2008).

Ethical Climates and Trust in Management

Trust implies a belief that an individual will not act opportunistically or in a self-serving manner (Hall et al, 2004), a willingness to be vulnerable based upon the positive expectations of the intentions of another (Rousseau et al, 1998). In an organization setting, trust of the employees on their

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management is important for smooth and effective functioning of the organization. The behaviour of the immediate and higher level management influences the perceptions and actions of the employees and vice versa. Beyond co-worker trust, trust in management can positively affect performance and motivate employees to focus attention on the tasks that add value to the firm (Mayer and Gavin, 2005).

Leaders and managers influence the culture and ethical values of an organization through organization system and policies and through their articulation and implementation of organizational values (Grojean et al, 2004). Employees will develop trust (or distrust) towards the organization through interpretation of policies and procedures- as implemented in practice- as well as through their interaction with co-workers and managers. According to Johnston and Marshall (2003), the standards of ethical behaviour are set by the managers and leaders. Leaders shape and reinforce the ethical climate of an organization (Sims and Brinkman, 2002). They have substantial powers to create and maintain ethical norms and processes and to create a particular kind of ethical climate (Schminke et al, 2005).

Employees monitor the organizational environment in assessing whether to place trust in management, and to what degree. As expressed by Carnevale (1988: p9), "workers carefully monitor organizational processes to determine whether or not they should trust their organization." Individuals are sensitive and vigilant about the goings on in the system and act based on what they perceive to be the trustworthiness of the system. As stated earlier, weak internal norms can encourage violations and misdeeds in the organization (Schminke et al, 2007), reducing trust in an organization and its management. Unethical organizational environments can deeply affect the trust workers have in management and can encourage people to act in unethical ways, generating a further deterioration in the organizational climate. Thus, in the eyes of the employees, the ethical climates of an organizational will affect trust in the management.

Benevolent climates would tend to encourage behaviours that should yield positive outcomes for the individuals and the organizations. In this type of climate, the primary focus is on the well-being of those who are perceived as a part of one's work group or organization. Positive climates would flow from leaders and managers who walk their talk and can be trusted, and the employees will believe that the organization cares for the employee well-being, and that that the supervisors and organizational members can be relied upon. In addition, climates based on a principle centred criteria would facilitate decision making based on organizational codes and regulations, which would reduce uncertainty and favouritism. Employees are assured that the process of decision making is based on solid and verifiable codes and will be associated with higher levels of trust in management.

Thus, ethical climates where leaders emphasize well -being of others ('caring') emphasize adherence to laws and to professional codes ('laws and codes') or to company rules and processes ('rules and procedures'), support positive expectations and, hence, are likely to affect cognition based trust or affect based trust. We can derive that the underlying positive expectations would probably facilitate higher levels of trust in management. Thus the following hypothesis is formulated:

H1: An ethical climate characterized by caring, rules and procedures, and laws and codes will be positively related to trust in management.

On the other hand, in an egoistic climate would generate negative expectations. Egoistic climates will be detrimental to employees supporting and cooperating with each other, thus reducing citizenship behaviour and altruism. Company self-interest could be perceived as detrimental to employee self-interest (for example, downsizing, which may increase profitability of the company at the cost of cutting off employees' livelihoods). Personal morality or independence based climates would likewise reduce cooperation amongst the employees as each employee would have his/her own sense of right and wrong and would act independently without any moral obligations. There would be no common basis to arrive at decisions which would be perceived as fair by others. Thus climates that support opportunistic behaviour or focus on self-interest or individual ethical beliefs

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("'instrumentality"; "independence") are likely to increase the vulnerability and reduce confidence and weaken emotional bonds. Following this, the second hypothesis is framed as follows:

H2: An ethical climate characterized by instrumentality and independence will be negatively related to trust in management.

3.   METHODOLOGY

In order to empirically verify the hypotheses developed in the study, a quantitative methodology is used. Quantitative research can help provide a fundamental connection between empirical observation and mathematical expression of relationships. Data is collected through questionnaires from respondents in organizations and are subjected to statistical analysis. However, data collected through self-report questionnaires may have the concerns of social desirability bias and common methods variance (Podsakoff and Organ, 1986). In this study, some ways to minimise social desirability bias and CMV are taken care of ex-post, which are (a) respondents were assured of complete anonymity and did not have to reveal their identity anywhere in the questionnaire (b) the confidentiality of the study was assured and the respondents returned the filled in responses directly to the researcher (c) the respondents were told there were no right or wrong answers, and were requested to answer as honestly as possible. (d) different scale endpoints for the criterion and predictor variables were used (e) the order of items was randomized.

Sample and Procedures

Data was collected in the years 2012-2013, in the years following a number of scams coming to light in the Indian business and political landscape. A convenience sampling was used to select the organizations who were requested to participate in the study. Human resource managers of

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different organizations in different sectors of industry were approached personally or contacted telephonically or through email. The details of the study were explained to them and cooperation sought for data collection. They were assured of complete confidentiality and anonymity. Most of the managers refused while some were hesitant. Only those organizations were tapped which were prepared to cooperate unhesitatingly. Finally questionnaires were distributed through email with the help of HR managers of 15 organizations. The participants were likewise assured of complete anonymity and did not have to reveal their identity. 5 companies backed out at this stage. Majority of the remaining 10 companies which finally cooperated belonged to the IT & ITES sector; two belonged to the manufacturing sector while one was from consultancy. The information technology industry has shown a phenomenal growth since the 1990s. The contribution of IT & ITES sector to India's GDP was 1.2% in FY98, but moved up to 9.5% in FY15. India is the world's largest sourcing destination for IT industry, accounting for 67% of the US$ 124-130 billion market. It currently employs more than 10 million workforce. The respondents who took part in the survey belonged to major IT and ITES providers operating from different parts of India.

Manufacturing has emerged as one of the high growth sectors in India and contributes to 16% of India's GDP. The Government of India has set-up an ambitious target of increasing the contribution of manufacturing output to 25% of GDP and to create up to 90 million domestic jobs. Respondents from the manufacturing sector were employees of one of the big steel mills and one automobile giant. The consulting firm taking part in the survey was one of the big consulting firms operating out of Mumbai (https://www.ibef.org/industry)

The surveys were returned directly to the researcher, ensuring confidentiality of the participants. Initially, 198 responded in the first attempt. After two reminders, the number of respondents was 281. Out of the 281 responses, 11 were not usable due to incomplete data. Thus the final sample size was 270. 74.4% of the respondents were male, while 25.6% were females. The average age of

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the respondents was 27.56 years (SD=5.9). 36.7% of the respondents were married. The respondents

had an average tenure of 3.2 years (SD = 3.3) in their current organizations. 36.7% of the

respondents belonged to lower levels, 56.7% were in the middle level in the organization while the

rest were at the top levels of management. Of the 270 respondents, 174 were from the IT/ITES

sector, 66 were from the manufacturing sector and 30 were from a consulting organization.

Measures

Existing and tested scales were used for the measures. These scales are described below.

Ethical Climate: 26-item ethical climate questionnaire developed by Victor and Cullen (1988) was

used to measure ethical climate types in organizations. It consists of five ethical climate types: rules

and procedures (4 items), instrumental (7 items), caring (7 items), laws and codes (4 items) and

independence (4 items). A six point Likert scale was used for the responses, ranging from completely

false (0) to completely true (5). Sample items were 'In this company, the law or ethical code of their

profession is the major consideration' (laws and codes), 'The most important concern is the good of

all the people in the company as a whole' (caring), 'It is very important to follow the company's rules

and procedures here' (rules and procedures), 'In this company, people protect their own interests

above all else' (instrumental) and 'In this company, people are expected to follow their own personal

and moral beliefs' (independence).

In most organizations studied, not all distinct climate types have emerged (Martin and Cullen, 2006).

Emergent climate types need not conform exactly to the nine ethical climate types identified by

Victor and Cullen (1998) (Cullen et al, 2003) and may combine loci of analysis for a particular ethical

criteria (Victor and Cullen, 1987, 1988). As such a principal components analysis of the items with

varimax rotation was conducted on the responses of the participants to the ethical climate

questionnaire in this study. It yielded 7 factors explaining 67.44% of the variance in the data.

However, the communality of two items was below 0.50. These items were 'In this company, it is

expected that you will always do what is right for the customers and public' and 'The major

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responsibility of people in this company is to control costs.' These items were deleted in a subsequent factor analysis (principal components analysis) which yielded six factors explaining 70.36% of the variance. These factors were similar to Victor and Cullen's (1988) factors, except that the ethical climate of 'instrumentality' emerged as two distinct factors – a climate supporting 'company profit' and a climate supporting 'self-interest.'

Insert Table 1 here

Trust in Management: A scale developed by Treadway et al (2004) was used to assess employee's trust in their management. This scale consists of four items as follows: 'Management at my organization cannot be trusted' (reverse scored), 'I have complete trust that management and my supervisor will treat me fairly,' 'I can count on my management for help if I have difficulties on my job,' and 'I can discuss problems with management without it being used against me.' Responses were scored using a seven-point format (1= strongly disagree to 7= strongly agree).

Control Variables: Consistent with earlier studies, age, gender and tenure were treated as control variables in this study as these variables can also influence the perceptions of ethical climate (Cullen et al, 2003).

Data Analysis

Data was analysed through SPSS software version 20. The primary statistics used were correlational analysis and hierarchical regression analysis. To check for common methods variance ex-ante, Harman's one factor test was used. Harman's single factor test revealed that only 22.60% of the variance in data was explained by the single factor.

4. RESULTS

Table 2 presents the means, standard deviations, correlations and alpha reliabilities for the key variables in the study. A climate governed by laws and codes was the strongest (M= 3.63, SD=0.91) followed by rules and procedures (M=3.48, SD=0.92) and caring (M=2.99, SD = 0.86). The respondents perceived, to a lesser extent, that their organizations climate emphasized independence (M = 2.46, SD = 1.00).

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Insert Table 2 here

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Interrelationships exist amongst the six ethical climate types and with the dependent variable of trust in management. Caring climate is positively and significantly associated with laws and codes (r=0.427, p<0.01) and with rules and procedures (r = 0.301, p<0.01) and negatively and significantly with self-interest (r = -0.318, p<0.01). This is in line with the results obtained by Leung (2008), wherein caring climate was significantly and positively correlated with rule and law-and-code. Independence is found to be significantly and positively correlated with a climate of company profit (r= 0.271, p<0.01) and with self-interest (r = 0.326, p<0.01). Trust in management is significantly and positively correlated with caring (r =0.459, p<0.01), laws and codes (r = 0.280, p<0.01) and rules and procedures based climate (r=0.272, p<0.01). It is negatively related to self-interest (r=-0.248, p<0.01).

Hierarchical regression analysis was used to test the hypotheses. Control variables were entered first (model 1), followed by the six work climate variables (model 2). Table 3 summarizes the key results of this analysis.

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Insert Table 3 here

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The first hypothesis stated that perceptions of caring, laws and codes, and rules and procedures would be positively related to trust in management; the second hypothesis suggested that climates of instrumentality and independence would be negatively associated with TIM. Results of regression analysiss strongly support the hypothesis 1, with caring (β = 0.395, p<0.01), laws and codes (β=0.166, p<0.01) and rules and procedures (β=0.156, p<0.01) emerging as significant predictors of trust in management. However, no support could be found for the second hypothesis as coefficients of independence and the two instrumentality dimensions (company profit and self-interest) were insignificant.

5. DISCUSSIONS

The purpose of this paper was to explore the relationships between organizational ethical climate types and trust in management. To accomplish this objective, the research validated Victor and Cullen's (1988) scale in the Indian context. Instead of the five dimensions emerging in Victor and Cullen's study, this research finds that the climate of instrumentality was split into two factors of 'company profit' and 'self-interest' while the other factors of caring, laws and codes, rules and procedures, and independence were similar to those emerging in Victor and Cullen's study. The results are also a pointer to the fact that ethical climate types have significant impact on the levels of trust employees have in management. Positive ethical climates (caring, laws and codes, rules and procedures) are positively related to trust in management. This is to be expected as an ethical climate based on laws and codes or rules and procedures creates an environment which does not support opportunistic behaviour and violations of the laws and rules are likely to be penalized. A caring climate implies that people are concerned about the well-being of others.

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Yet, contrary to expectations, this study finds that independence and instrumental (company profit, self-interest) climates do not have any significant effect on the dependent variable, that is, on trust in management. Some earlier studies have reported negative relationships between instrumental climates and organizational variables like organizational commitment (Tsai and Huang, 2008; Martin and Cullen, 2006), OCB (Leung, 2008), and between egoistic climates and trust in organization/supervisor (Simha and Stachowicz-Stanusch, 2015). Studies also report positive linkages between trust and OCB (Wong et al, 2006) and commitment (Dirks and Ferrin, 2002). However, the results flowing from this study with negative climate types (independence, company interest, self-interest) having an insignificant effect on trust in management are contrary to expectations.

Corporates in India are likely to be unethical because of two basic reasons – one is the inherent cultural and social factors and the other because of a sense of helplessness and frustration, a sense that nothing will happen even if you speak against the lack of ethics in decision making (Mulla, 2003). It could be because of this sense of helplessness that employees in organizations in India tend to take negative ethical climates in their stride. In practice, ethical deviance can be attributed to social, religious and cultural dissimilarities as well as emergent circumstances. Companies in India may tend to look at ethical issues ambiguously, with the hope that things will somehow fall into place and that the organization can escape adverse consequences. It was perhaps with this attitude that organizations like Satyam continued to thrive till the day the scams came out into the open. While positive ethical climates may be desirable and may have positive impacts of trust in management, translation of positive core values of individuals to practical circumstances at work is a complex process as far as ethics is concerned. Employees are subjected to pulls and pressures to meet the demands of external and internal work environments and there is pressure to fall in line. The implicit rule in many organizations is 'do whatever you have to in order to satisfy the client' (Seshadri et al, 2007, p63). It is a common accepted norm in India that one has to look for "jugaad"

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"- finding innovative and creative ways to bypass red tapism, prohibitive rules - to fix things, whether it be getting a contract, repair an automobile whose parts may not be easily available, getting a job one wants, etc. Indian businessmen claim to success is 'jugaad (Berger and Herstein, 2014). This could explain why there is no negative relation between the negative ethical climate types (self-interest, company interest and independence based climates with trust in management). In addition, a study on the facets of societal and organizational cultures and managers' work related thoughts and feelings at seven locations in different parts of India revealed that four major societal dimensions – hypocrisy, corruption, inaction and respect to power- were shared across all locations (Sinha et al, 2004). The theme of inaction comes close to explaining the lack of negative relationship between negative ethical climates and trust in management.

The results suggest the existence of a double set of factors in the Indian context – the individuals are neutral to the existence of negative context and are positively affected by a climate which supports ethical behaviour. Indian culture, with its diversity in culture, language and traditions, is a highly complex one. Indians are collectivists, yet have a protected secret self (Roland, 1988) with individualistic thoughts and feelings. According to Markus and Kitayama (1991), Indians have an independent self with a desire to pursue individualistic goals as well as an interdependent self-concern while fulfilling the expectations of others. Even when things are unethical, obeying the boss could result in promotions and rewards and could be a convenient way to deal with situations entailing complexity and ambiguity. Indians have a strong deference to hierarchy and authority, but they also have reverence for persons with high integrity and superior human qualities (Roland, 1988). Indians as a society are context sensitive and have a balancing disposition (Sinha and Kumar 2004). Extremities in actions are balanced to incorporate seemingly opposite ideas in a complex way. It is this balancing disposition and sensitivity to specificities of a situation that can explain the presence of a double set of ethical climates in their relationship with trust in management.

Implications: The results throw open new directions to theory building on ethical climates and trust in the Indian context. While existing literature on ethical climates suggest positive impacts of positive ethical climates (caring, rules and procedures, laws and codes) and negative effects of negative ethical climates (company interest, self-interest, independence), the results in the Indian context are different and show that the climates based on self-interest, company interest and independence do not have a negative effect on trust in management. Culture seems to play a critical role in determining how people respond to ethical contexts. The prevalence of two different sets of ethical climates, akin to Herzberg's two-factor theory of motivation (Herzberg et al, 1959), can open new vistas for research and investigation. While presence of one set of ethical climates (positive – caring, rules and procedures, laws and codes) would build and enhance trust, presence of another set of ethical climates (self-interest, company profit, independence) may not reduce trust but may be taken as a part of work context which need to be tolerated. These interpretations require further research, both conceptually and empirically, and in different cultural contexts.

For practitioners, the results of this study should inspire them to focusing on building positive and caring ethical climates. In addition, adherence to rules and procedures and laws and professional codes paves the way for enhancing trust in the way management functions. Managers must learn to walk their talk, and rules must in apply in an unbiased manner. The leaders in the organizations should take personal interest to ensure that organizational policies and practices are designed and implemented to empower those who are caring, and those who use their powers judiciously in applying the rules and laws for the well-being of employees. This would also imply that for success in the long term, a culture of ethics has to be promoted, and selections and promotions should not be solely governed by the results, or bottom line.

Limitations and Directions for Further Research

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This study is not without its limitations. The study utilized self-report questionnaires and is therefore subject to inherent limitations such as social desirability bias and common method variance. Although the study took care to minimise these errors through ex-ante and post-ante measures, future research could take data at different points of time and from different respondents for the different sets of variables. Secondly, responses were limited to 10 organizations in India. For a deeper understanding of the role of contexts, future studies could examine the relationships in different work and national contexts to investigate how different work contexts and national cultures can influence the relationship between ethical climates and trust in management. Cross cultural studies in international contexts could also be undertaken. Thirdly, a sectoral analysis has not been attempted in this study. Future studies may like to do a sector wise analysis, with the sample being taken from a larger number of sectors and greater number of responses from each sector. It could be that the relation between ethical climates and trust in management could be different as the operating requirements of, say, IT and ITES companies are very different from manufacturing or healthcare companies. Fourthly, apart from cultural factors, there is also a need to examine other constructs such as ethical orientation, ethical sensitivity, personality, as well as role of supervisors in developing the theoretical linkages. The role of trust in management as a moderating variable or a mediating variable can also be examined.

6. CONCLUSION

This study has examined the effect of ethical climates on trust in management within the Indian context. In a country which has witnessed multi-billion dollar scams in the recent past, studying the ethical environment of organizations is central for an emerging economy like India which intends to find its space in a globalised world. To this end, trust at all levels needs to be enhanced as trust has many positive consequences for organizations. Unethical environments and an organizational culture that does not value ethics can steadily erode trust organizational members have in the management of an organization. This study revealed an interesting facet of Indian organizations and

culture – while positive ethical climates such as an environment of caring, adherence to rules and procedures, and emphasis on law abiding behaviours generate trust in management, presence of negative ethical climates (self-interest, company interest, independence) in organizations do not reduce trust Indians have in management. Indians tend to balance seemingly opposite ideas in a complex way. Future research can explore this interesting finding further for a deeper understanding of the phenomena. Simultaneously, organizations should endeavour to cultivate positive ethical climates, especially that of caring, for enhancing trust in management.

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Table 1: Factors and their loadings for Ethical Climates

	Factors					
	Laws & Codes	Rules & Procedures	Independence	Caring	Company Interest	Self Interest
1	In this company, the law or ethical code of their profession is the major consideration.	.832					
2	People are expected to comply with the law and professional standards over and above other considerations	.797					
3	In this company, people are expected to strictly follow legal or professional standards.	.794					
4	In this company, the first consideration is whether a decision violates any law.	.750					
5	In this company, each person is expected above all to work efficiently.	.570					
6	It is very important to follow the company's rules and procedures here.		.887				
7	Everyone is expected to stick by company rules and procedures.		.854				
8	Successful people in this company go by the book.		.853				
9	People in this company strictly obey the company policies.		.785				
10	The most important concern in this company is each person's own sense of right and wrong.			.797			
11	In this company, people are guided by their own personal ethics.			.794			
12	Each person in this company decides for themselves what is right and wrong.			.794			
13	In this company, people are expected to follow their own personal and moral beliefs.			.764			
14	The most important concern is the good of all the people in the company as a whole.				.816		
15	What is best for everyone in the company is the major consideration here.				.770		
16	Our major concern is always what is best for the other person.				.766		
17	In this company, people look out for each other's good.				.535		
18	The most efficient way is always the right way in this company.				.511		
19	People are expected to do anything for the company's interests, regardless of the consequences.					.896	

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20	People here are concerned with the company's interests - to the exclusion of all else.					.870	
21	Work is considered substandard only when it hurts the company's interests.					.856	
22	There is no room for one's own personal moral of ethics in this company.						.742
23	In this company, people protect their own interests above all else.						.667
24	In this company, people are mostly out for themselves.						.647
	Cronbach alpha	0.844	0.897	0.825	0.797	0.889	0.768

Table 2: Means, SDs and Inter-correlations amongst the study variables (N = 270)

		Mean	SD	1	2	3	4	5	6	7	8	9	13
1	Age(yrs)	27.56	5.89										
2	Gender (f=0, m=1)	0.74	0.44	.140*									
3	Tenure (yrs)	3.20	3.32	.758**	.126*								
4	caring	2.99	0.86	.192**	.111	.222**	(0.797)						
5	laws and codes	3.63	0.91	.139*	.065	.172**	.427**	(0.844)					
6	Rules & procedures	3.48	0.92	.257**	.035	.203**	.301**	.414**	(0.897)				
7	independence	2.46	1.00	-.221**	.001	-.244**	.102	-.002	-.040	(0.825)			
8	company profit	2.73	0.96	-.145*	.025	-.221**	-.027	-.065	.047	.271**	(0.889)		
9	self interest	2.78	1.03	-.194**	.027	-.284**	-.318**	-.155*	-.080	.326**	.405**	(0.768)	
10	TIM	4.50	1.10	.275**	-.014	.255**	.459**	.280**	.272**	-.095	-.010	-.248**	(0.715)

**p<0.01, *p<0.05; alpha reliabilities are shown in brackets along the diagonal.

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Table 3: Results of Hierarchical Regression Analysis (N=270)

Independent Variables	DV: TIM	
	Model 1	Model 2
Age	0.0199*	0.138#
Gender	-0.056	-0.089#
Tenure	0.111	0.018
Laws and Codes		0.166**
Rules & Procedures		0.156**
Independence		-0.079
Caring		0.395**
Company profit		0.032
Self-Interest		-0.110
R^2	0.084	0.288
Adj R^2	0.073	0.263
ΔR^2	0.084	0.204
F	8.111**	12.412**

Note: **p<0.01; *p<0.05; #p<0.10