# Perceived Ethical Climate and Unethical Behavior: The Moderating Role of Moral Identity

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*Unethical behavior in organizations results in significant negative outcomes, including financial impacts such as decreased shareholder value and profitability as well as non-financial impacts such as poor employee morale and reputation. This research empirically examines the moderating role of moral identity on the relation between ethical climate perceptions and unethical behavior as reflected by moral disengagement, unethical pro-organizational behavior, and ethical judgment. Moral identity was hypothesized to moderate the impact of ethical climate on unethical behavior such that higher levels of moral identity reduced the propensity to engage in unethical behavior in all ethical climate types. Moral identity internalization, but not moral identity symbolization, was found to have significant correlations with unethical behavior as well as the predicted moderating effects on the relationships between ethical climates and unethical behavior. Theoretical and practical implications and future research directions are discussed.*

*Keywords: ethical climate, unethical behavior, moral identity, internalization, symbolization*

## INTRODUCTION

Unethical behavior has been a topic of increased interest among organizational behavior scholars over the last two decades. Highly visible corporate scandals (e.g., Enron, Salomon Brothers and Wells Fargo) have resulted in substantial negative outcomes, including financial impacts such as decreased shareholder value and profitability as well as non-financial impacts such as poor employee morale and diminished reputation, and have been attributed in large part to unethical behaviors of firm employees (Schminke, Ambrose, & Neubaum, 2007; Schoen, 2017; Sims & Brinkmann, 2002, 2003; Wells Fargo 2017). The environments within these firms reportedly failed to constrain, and, in some cases, facilitated the unethical behavior. Thus, the ability to better understand, predict, and manage the effects of environmental context on unethical behavior is of great importance. Research has investigated the influence of contextual factors such as referent groups, codes of conducts, climate, culture, and rewards/sanctions on unethical behavior (Newman, Round, Bhattacharya, & Roy, 2017; Treviño, 1986; Treviño, Butterfield, & McCabe, 1998). In the present study we extend this literature by empirically examining the impact of environmental context, specifically ethical climate, on unethical behavior in organizations, as well as examining the moderating role of moral identity on these relationships.

Ethical climate is defined as a characteristic of an organization that determines what constitutes ethical behavior at work (Victor & Cullen, 1988) or as the typical organizational practices and procedures that have moral consequences (Martin & Cullen, 2006). Ethical Climate Theory was first proposed by Victor and Cullen (1987, 1988) in order to provide a framework and analytical tool for understanding normative components of organizational work climates and how they influence behavior. Ethical Climate Theory conceptualizes a typology of ethical climates based on three classical philosophical approaches. Self-interest guides ethical decisions even to the possible detriment of others in egoism ethical climates, an overarching concern for the well-being of others guides ethical decisions in benevolence ethical climates, and deeply held, personal moral convictions or a strong, pervasive set of rules, standard, or external codes guides ethical decisions in principle ethical climates (Fritzsche & Becker, 1984; Victor & Cullen, 1987, 1988). The existence of distinct ethical climates in organizations as well as their impacts on both affect and behavior has been supported in numerous empirical studies, with egoism climates generally predictive of a higher frequency of unethical behaviors and benevolence and principle climates generally predictive of lower frequency of unethical behaviors (Kish-Gephart, Harrison, & Treviño, 2010; Martin & Cullen, 2006; Schminke et al., 2007). Additionally, research has shown that ethical climates can also interact with traits, attitudes, and behaviors to impact both firm and individual outcomes (Myer, Thoroughgood, & Mohammed, 2016; Stewart, Volpone, Avery, & McKay, 2011).

This study explores the moderating effect of moral identity on the relationships between perceived ethical climate types and unethical attitudes and behavior (hereinafter referenced as "unethical behavior"). Moral identity is defined as a self-conception organized around a set of moral traits that motivates moral action, or the extent to which morality is an important part of an individual's self-conception (Aquino & Reed, 2002; Shao, Aquino, & Freeman, 2008). Individuals with high or strong moral identities are able to more readily access moral schema, which in turn enables more rapid activation of ethical awareness, judgment and intention processes and ultimately results in less unethical behavior (DeCelles, DeRue, Margolis, & Ceranic, 2012). Two dimensions of moral identity have been conceptualized: *internalization* reflects the extent to which a set of moral traits is central to one's self-conception and *symbolization* reflects the degree to which these traits are publicly expressed through action and appearance (Aquino & Reed, 2002). Although both constructs have been found to predict moral behaviors, internalization generally demonstrates stronger predictive capability compared to symbolization (Aquino & Reed, 2002; Treviño, Den Nieuwenboer, & Kish-Gephart, 2014).

Ethical behavior is postulated as a joint function of the importance of moral identity to an individual and the extent to which situational cues affect the current accessibility of the individual's moral self-schema (Aquino, Freeman, Reed, Lim, & Felps, 2009). Similar to other social identities that make up a person's social self-schema, moral identity "can be activated or suppressed by contextual, situational, or individual differences" (Aquino & Reed, 2002, p. 1425). Therefore, the organizational context, to the extent that it aligns with and reinforces an individual's moral beliefs, may activate moral identity and intensify the influence of ethical climate of unethical behavior (Treviño et. al. 2014). Moral identity has been shown to influence unethical behaviors as well as to have interaction effects on financial reporting, bribery, self-interested behavior and other unethical behaviors (Aquino et al., 2009; Chowdhury & Fernando, 2013; Detert, Treviño, & Sweitzer, 2008; Reynolds & Ceranic, 2007; Shao et al., 2008).

Despite the relative abundance of empirical studies, research is limited with respect to the interactions between the internalization and socialization dimensions of moral identity, ethical climates and unethical behavior as reflected by moral disengagement, unethical pro-organizational behavior, and ethical judgments. Moral disengagement refers to the cognitive mechanisms that people employ in order to behave unethically without feeling distress and involves various types of rationalizations by which individuals justify their actions in order to avoid self-censure (Moore, Detert, Klebe Treviño, Baker, & Mayer, 2012). Individuals who engage in moral disengagement are therefore more likely to enact a variety of unethical behaviors (Moore et al., 2012). Unethical pro-organizational behavior are acts that are considered unethical by larger society that are carried out to benefit the organization and that are not specified in formal job descriptions nor ordered by superiors (Umphress, Bingham, & Mitchell, 2010; 770). Ethical judgment has been described as an ill-defined "fuzzy" construct in that it represents a broad range of unethical decisions

that an individual might choose to make within an organization and which has been operationalized in multiple ways (Mudrack & Mason, 2013). The strictness of ethical judgments positively predicts ethical behavioral intentions (Pan & Sparks, 2012).

This study makes a novel contribution to the literature by investigating the moderating effect of moral identity on the relationships between perceived ethical climate types and moral disengagement, ethical judgment and unethical pro-organizational behavior. Specifically, this study explores the differential moderating effects of moral identity internalization and moral identity symbolization on these relationships, which has not previously been investigated. Researchers have theorized that the symbolization dimension is more strongly correlated than the internalization dimension to those outcomes that have a self-presentational or public dimension, such as impression management and self-reported volunteering (Aquino & Reed, 2002). As unethical behavior is, by definition, behavior that is inconsistent with social norms (Treviño et al., 2014) and therefore open, public demonstration of unethical behavior tends to be suppressed, we propose that the relationship between the symbolization dimension of moral identity and unethical behavior will differ from that of the internalization dimension. To date, little if any research has examined the potential interactive effects among the moral identity dimensions, ethical climate, and unethical behavior. Thus, this study examines a number of variables that have not been directly examined for moderation effects on these important relationships and fills gaps in the literature that still exist in regards to understanding the precursors to unethical behavior.

We also seek to make two additional, more modest contributions to the literation. First, consistent with prior literature, we seek to demonstrate that individuals higher in moral identity will have a lower propensity to engage in moral disengagement, ethical judgments and unethical pro-organizational behavior. Only one empirical study was identified that explored the direct relationship between moral identity and moral disengagement (Detert et al., 2008), and no studies were found that explored the direct relationships between moral identity and ethical judgment and unethical pro-organizational behavior. Second, also consistent with prior literature, we seek to confirm that the ethical climate type in an organization either encourages or suppresses the three unethical behaviors in this study. Thus, this research extends the literature in this area by more fully documenting these relationships and closing an empirical gap. The proposed research model is depicted in Figure 1 (All figures are provided in the Appendix).

This study's findings provide implications for organizational selection, development and retention practices. This research will also improve academic understanding of ethical climate processes and outcomes, and produces useful, practical insights by which organizations can endeavor to actively instill or enhance ethical climates in order to maximize desirable outcomes.

## THEORETICAL FRAMEWORK

### Ethical Climate Theory

Ethical Climate Theory (ECT) as conceptualized by Victor and Cullen (1987) derives from organizational climate theory and social learning theory and postulates that individuals cognitively interpret their environment and acquire new patterns of behavior through both direct experience and observational learning (Bandura, 1977, 1991). Differential reinforcement leads to the retention of behavior that produces favorable effects and to the discarding of behaviors with non-favorable effects. Individual behavior is therefore impacted by perceptions of the environment. Thus, the focus of this study is psychological ethical climate, which refers to an "employee's perception of the ethical practices and procedures that have ethical content and the meaning assigned to them in his or her work environment" (Schwepker, 2013, p. 391).

Victor and Cullen proposed that organizations develop different normative systems that are known to organizational members and are perceived as a type of work climate (Victor & Cullen, 1987, 1988). They hypothesized nine types of ethical climate based on three philosophical approaches that refer to the rationale used when evaluating the ethical content of a situation (Kohlberg & Kramer, 1969). In Victor and Cullen's ECT framework, the self-interest orientation, or egoism, corresponds to the theory of rights, in which a decision maker is guided by ensuring respect for the rights of individuals to pursue their own life-serving values, such as the right to free consent (Fritzsche & Becker, 1984). The caring orientation, or benevolence,

corresponds to utilitarianism, a teleological theory in which ethical decisions are made by evaluating the potential consequences to various stakeholders, the probability of those consequences, the relative desirability of those consequences across stakeholder groups, and the relative importance of those stakeholder groups to the decision (Fritzsche & Becker, 1984). Lastly, the principle orientation corresponds to the theory of justice, a deontological perspective in which an individual evaluates the ethical behavior based on the inherent rightness or wrongness of the behaviors by comparing them to deontological norms (Fritzsche & Becker, 1984). To form the other dimension of analysis Victor and Cullen drew on Merton and Merton's (1968) social referent group theory to specify three loci of analysis – individual, which refers to a focus on oneself; local, which refers to a focus on a unit or an organization; and cosmopolitan, which refers to a focus on broader society. The three loci, when combined with the three philosophical approaches, result in a three-by-three matrix that contains nine theoretical ethical climate types (self-interest, company profit, efficiency, friendship, team interest, social responsibility, personal morality, rules and procedures, law and professional codes) representing potential organizational normative structures (Victor & Cullen, 1987, 1988).

Empirical research, however, tends to support an alternative model in which five climate types emerge - instrumental, caring, independence, rules, and law and code (Ambrose, Arnaud, & Schminke, 2008; Bulutlar & Öz, 2009; Victor & Cullen, 1988; Weber, Kurke, & Pentico, 2003). Instrumental climates, which align to the egoism orientation at the individual and local loci of analysis, are those in which self-interest guides ethical decisions, even to the possible detriment of others (Victor & Cullen, 1988). Caring climates, which align to the benevolence orientation across all loci of analysis, are those in which organizational members perceive that the organization's policies, practices and strategies support decision-making that is best for others within the organization as well as for broader society. Individuals who perceive independence climates believe that ethical decisions should be based on deeply held personal moral convictions without substantial regard for outside influence (Elm & Nichols, 1993; Martin & Cullen, 2006). In rules climates, ethical decisions are based on a strong, pervasive set of local rules and standards, and organizational policies and procedures are the primary guides for ethical decision making. In law and code climates, ethical behavior is guided by external codes such as law, professional codes of conduct, or religious texts (Victor & Cullen, 1988). The independence, rules, and law and code climates align to the principle orientation at the individual, local and cosmopolitan loci of analysis, respectively.

Previous research suggests that not only can multiple ethical climates coexist in an organization, but that they also have direct effects on employees' behaviors and attitudes (Ambrose et. al., 2008; Cullen, Parboteeah, & Victor, 2003; Deshpande, 1996; Elci & Alpkan, 2009; Huang, You, & Tsai, 2012). Research has also shown that ethical climates may interact with employee traits, attitudes or behaviors (Demirtas & Akdogan, 2015; Newman et al., 2017; Shafer, 2008; Wang & Hsieh, 2013).

*Moral Disengagement, Ethical Judgment, and Unethical Pro-organizational Behavior*

Unethical behavior is generally defined as behavior that is inconsistent with societal or moral norms (Treviño et al., 2014). We focus on three conceptually distinct aspects of unethical behavior: moral disengagement, ethical judgment, and unethical pro-organizational behavior. Moral disengagement refers to the cognitive mechanisms that people employ in order to behave unethically without feeling distress (Moore et al., 2012). Moore et al. refined Bandura's (1999) conceptualization of moral disengagement and postulated that it is implemented via eight mechanisms that allow individuals to minimize, justify, or otherwise distort the ethical content of an issue or decision. By not recognizing that a situation has ethical content, the individual is more likely to engage in unethical behaviors. Ethical judgment reflects an individual's personal evaluation of the degree to which certain behavior within an organization is ethical or unethical (Sparks & Pan, 2010) or decisions made with respect to ethical or moral content (Akaah, 1996). Ethical judgment has been shown to be related to behavioral intentions and ethical actions (Mudrack & Mason, 2013). Unethical pro-organizational behavior is behavior that is: (a) outside of social or moral norms; (b) carried out to benefit the organization; and (c) can be acts of commission or of omission (Umphress et al., 2010). Researchers have found linkages between individual and organizational characteristics, such as organizational identification, exclusion risk, and need for inclusion, and an increased

willingness to engage in unethical pro-organizational behavior (Chen, Chen, & Sheldon, 2016; Thau, Derfler-Rozin, Pitesa, Mitchell, & Pillutla, 2015).

*Ethical Climates and Unethical Behavior*

Research to date provides a good deal of empirical evidence supporting the impact of ethical climates on unethical behavior in organizations (Craft, 2013; Ford & Richardson, 1994; Loe, Ferrell, & Mansfield, 2000; O'Fallon & Butterfield, 2005; Kish-Gephart et al., 2010; Martin & Cullen, 2006). This literature indicates that egoism climates are predictive of higher unethical behaviors whereas benevolence and principle climates are predictive of more ethical decision-making (Martin & Cullen, 2006; Treviño et al., 2014).

Individuals who perceive egoism climates infer that the organizational norms encourage ethical decisions to maximize organizational benefits such as profits and/or personal benefits (Wimbush & Shepard, 1994). Therefore, individuals who perceive an egoism ethical climate are motivated to behave in ways that prioritize their own self-interest and the interests of the organization, even to the detriment of others (Wimbush & Shepard, 1994). Consequently, such individuals are more likely to engage moral disengagement mechanisms that allow them to "override" the self-regulatory processes that produce guilt, and, therefore, engage in behaviors that maximize their own interests without the burden of self-censure. Similarly, individuals are more likely to engage in unethical pro-organizational behaviors in situations in which they believe that breaking ethical rules will benefit company profit or efficiency (Victor & Cullen, 1988). Lastly, individuals who perceive this climate are more likely to disregard rules, laws and codes (deontological-based decisions) or interests of others (utilitarian-based decisions), and thus are more likely to make ethical judgments characterized by greater willingness to engage in in ethically ambiguous or questionable behaviors that are self-serving.

Individuals who perceive benevolence climates are more likely to rely on a utilitarian approach to normative behavior, which encourage individuals to evaluate behavior in light of potential negative consequence to others, and "tend to place importance on the well-being of others in the organization, as well as the organization and society in general" (Baskin, Vardaman & Hancock, 2015, p.75). Such individuals are expected to be less likely to engage in unethical pro-organizational behavior despite potential benefits to the organization, as these individuals tend to make decisions based on the overall good of society. Similarly, these individuals are less likely to engage in moral disengagement mechanisms that minimize, rationalize, or distort actions that cause potential harm to others. Individuals who perceive benevolence climates are motivated to behave in ways that prioritize an overarching concern for the well-being of others and are less likely to make ethical judgments that would be perceived as unethical because they may have a detrimental effect on others (Elm & Nichols, 1993).

Individuals who perceive principle climates are more likely to rely on a deontological interpretation of moral norms, such that he or she would choose to subordinate his or her natural inclinations in favor of adherence to universal principles of right and wrong (Victor & Cullen, 1987, 1988). These principles tend to be fairly inflexible and invariant, and do not take into consideration self-interest or utilitarian considerations (Barnett & Vaicys, 2000). Therefore, when faced with an ethical dilemma, such individuals are motivated to behave in ways that comply with codes, rules, laws, standards, procedures, or religious requirements, which are generally designed to define and enforce what constitutes right vs. wrong behavior (Martin & Cullen, 2006). Such individuals are less likely to make unethical decisions that break a rule or law (Elm & Nichols, 1993) or to engage in moral disengagement mechanisms that minimize, rationalize, or distort the ethicality of an action. They are also less likely to make ethical judgments that indicate a greater willingness to engage in unethical behaviors when such actions violate a law, rule or code. Lastly, they are also less likely to engage in unethical pro-organizational behavior that requires violation of laws, rules, or codes, despite potential benefits to the organization. Based on this discussion, the following hypotheses were proposed:

***(H1a)*** *Egoism ethical climate is positively correlated with unethical behavior as reflected by moral disengagement, ethical judgments and unethical pro-organizational behavior.*

***(H1b)*** *Benevolence and principle ethical climates are negatively correlated with unethical behavior as reflected by moral disengagement, ethical judgments and unethical pro-organizational behavior.*

*Moral Identity and Unethical Behavior*

Moral identity is defined as a self-conception organized around a set of moral traits (e.g., honest, compassionate) that motivates action or the extent to which morality is an important part of an individual's self-conception (Aquino & Reed, 2002; Shao et al., 2008). Moral identity is thus a powerful source of moral motivation because people generally desire to maintain self-consistency (Aquino & Reed, 2002; Matherne, Ring, & Farmer, 2018). Individuals with high or strong moral identities are "particularly sensitive and reactive to moral and ethical issues" (May, Chang, & Shao, 2015, p. 682) and should more readily access moral schema, which in turn enables more rapid activation of ethical awareness, judgments and intention processes. This ultimately results in less self-interested and more ethical behavior (DeCelles et al., 2012). Aquino and Reed (2002) conceptualized two moral identity dimensions: *internalization*, which reflects the extent to which a set of moral traits is central to one's self-conception, and *symbolization*, which reflects the degree to which these traits are publicly expressed through action and appearance. Both of constructs have been found to predict moral behaviors, with internalization generally demonstrating stronger predictive capability relative to symbolization (Aquino & Reed, 2002; Treviño et al., 2014). As a result, several studies measure moral identity using only the internalization dimension (Aquino et al., 2009; Chowdhury & Fernando, 2013; Matherne et al., 2018). Research with respect to the impact of moral identity on ethical decision-making has been mixed (Hardy, 2006; Parson & Artistico, 2014; Reynolds & Ceranic, 2007; Shao et al., 2008). McFerran, Aquino, and Duffy (2010) found that high moral identity was associated with the endorsement of a principled rather than an expedient ethical ideology, and that individuals who held a principled ethical ideology were less likely to employ moral disengagement than individuals who endorsed an expedient ideology. Based on this finding, individuals with a high moral identity are expected to be less likely to enact moral disengagement mechanisms. Individuals with high moral identities have a strong need for their actions to be consistent with their identities (Matherne et al., 2018). Such individuals are therefore less likely to engage in unethical behaviors that violate their strongly held moral beliefs, including unethical pro-organizational behaviors and ethical judgments that indicate a greater willingness to engage in unethical behaviors (Aquino et al., 2009; Matherne et al., 2018; May et al., 2015). Moral identity is a construct in which contextual influences can become salient and influence different outcomes (Aquino et al., 2009). Grounded in social-cognitive theory (Bandura, 1991), Aquino et al. (2009: 124) postulated that "moral intentions and behaviors will be a joint function of (a) the centrality of moral identity to an individual's self-conception and (b) the extent to which situational cues temporarily affect the current accessibility of the moral self-schema within the working self-concept." In other words, situational factors, such as perceived ethical climate, that activate a self-interested facet of identity such as moral identity should increase the accessibility of this type of identity. Moral identity thus intensifies the influence of ethical climate of unethical behavior. Positive ethical climates should influence individuals to more readily access the moral schema within their self-concept of moral identity, and this easier accessibility should be negatively related to unethical behavior (Aquino et al., 2009; Birtch & Chiang, 2014). Conversely, in order to maintain self-consistency, individuals high in moral identity should be more resistant to the impact of negative ethical climates and be less likely to engage in unethical behavior as a result (Birtch & Chiang, 2014).

The prediction that moral identity moderates the relationship between ethical climates and unethical decisions, including financial reporting, bribery, cheating, self-interested behavior and unethical pro-organizational behavior, has been empirically supported (Aquino et al., 2009; Birtch & Chiang, 2014; Reynolds & Ceranic, 2007; van Gils, Hogg, Van Quaquebeke, & van Knippenberg, 2017). In a notable study, van Gils et al. (2017) found that ethical climate had a positive effect on moral decision making for individuals low in moral identity but no effect for those high in moral identity. Similarly, in a survey of undergraduates, Aquino et al. (2009) found that the impact of moral priming on the relationship between moral identity and unethical behavior was stronger for those with weaker moral identities, such that moral priming had a greater influence on the likelihood to engage in unethical behaviors among those with weaker

moral identities vs. those with stronger moral identities. These finding indicated that individuals who had high moral identities were more likely to make ethical decisions based on an internal strong moral sense and were less susceptible to external context as it relates to ethical decisions.

Aquino and Reed (2002) showed that both moral identity dimensions predicted self-reported volunteering, but only the internalization dimension predicted actual, unobserved donation behavior, which suggests the symbolization dimension has stronger correlation with outcomes that have a presentational or public dimension. As public demonstration of unethical behavior tends to be suppressed due to its (by definition) inconsistency with social norms (Treviño et al., 2014), the two dimensions may demonstrate different direct and indirect effects with respect to unethical behavior. Specifically, we expect that the internalization dimension to have stronger correlations with unethical behavior than does the symbolization dimension. Based on the above discussion, this study proposed the following hypotheses:

***(H2)*** *Moral identity is negatively correlated with unethical behavior as reflected by moral disengagement, ethical judgments and unethical pro-organizational behavior. This relationship is expected to be stronger for moral identity internalization than for moral identity symbolization.*

***(H3a)*** *Moral identity moderates the relationship between egoism ethical climate and unethical behavior (as reflected by a composite of moral disengagement, ethical judgments and unethical pro-organizational behavior), such that the positive relationship between egoism climate and unethical behavior becomes weaker as moral identity increases. This relationship is expected to be stronger for moral identity internalization than for moral identity symbolization.*

***(H3b)*** *Moral identity moderates the relationship between benevolence and principle ethical climates and unethical behavior (as reflected by a composite of moral disengagement, ethical judgments and unethical pro-organizational behavior), such that the negative relationships between benevolence and principle ethical climates and unethical behavior become stronger as moral identity increases. This relationship is expected to be stronger for moral identity internalization than for moral identity symbolization.*

## METHOD

### Participants

Participants were adults over the age of 18 who worked at least 35 hours per week in professional, executive, and administrative positions in U.S. firms and had been employed by their firms at least one year. The final sample consisted of 301 participants. Approximately 58% of respondents were between 25 and 44 years old, 82% worked between 36 and 45 hours per week, and about 50% of respondents had less than 5 years of experience in their organization and less than 10 years of experience in their industry. Females comprised 71% of respondents.

### Measures

*Ethical Climate*

Ethical climate was measured using the twenty-six item Ethical Climate Questionnaire (ECQ) (Victor & Cullen, 1988). The ECQ contains five sub-scales: Caring (7 items), Law and Code (4 items), Rules (4 items), Instrumental (7 items), and Independence (4 items). Answers were assessed on a 6-point Likert Scale: Completely false (1) to Completely true (6). Item analyses indicated acceptable internal consistency for each of the sub-scales (Cronbach's $\alpha$ ranged from 0.83 to 0.85).

*Moral Disengagement*

Moral disengagement was measured using the eight-item scale developed and validated by Moore et al. (2012). Responses were assessed on a 7-point Likert scale: Strongly disagree (1) to Strongly agree (7). Item analyses indicated acceptable internal consistency (Cronbach's $\alpha = 0.87$).

*Ethical Judgment*

Ethical judgment was measured using the seventeen-item scale developed by Akaah (1996). Respondents were asked about the extent to which they had engaged in the practices listed. Responses were made on a 7-point Likert Scale: 1 = Never; 7 = Frequently. Item analyses indicated acceptable internal consistency (Cronbach's $\alpha = 0.95$).

*Unethical Pro-Organizational Behavior*

Unethical pro-organizational behavior was measured using the six-item scale developed and validated by Umphress et al. (2010). Responses were made on a 7-point Likert Scale: Strongly disagree (1) to Strongly agree (7). Item analyses indicated acceptable internal consistency (Cronbach's $\alpha = 0.92$).

*Moral Identity*

Moral identity was measured using the ten-item scale by Aquino and Reed (2002). This scale contains two sub-scales: moral identity internalization (5 items) and moral identity symbolization (5 items). Respondents were asked to imagine a person who has several characteristics that may describe a person, such as caring and compassionate. They were then asked to respond to items based on this hypothetical person. Responses were assessed on a 5-point Likert Scale: Strongly disagree (1) to Strongly agree (5). Item analyses indicated acceptable internal consistency for each of the sub-scales (Cronbach's $\alpha = 0.78$ for moral identity internalization and 0.79 for moral identity symbolization).

*Attention Check Items*

Three attention check items were interspersed randomly throughout the survey instrument in order to detect whether respondents were providing careless responses (Meade & Craig, 2012). These items were adapted from Berinsky et al. (2014).

*Control Variables*

We also collected measures of individual characteristics, including age, gender, job tenure, educational level, and role in organization, that have been shown to impact ethical decision making in multiple empirical studies (Buchan, 2009; Deshpande, 1997; Forte, 2004; Goldman & Tabak, 2010; Vardi, 2001). We also assessed Socially Desirable Responding as a potential control. Social desirability was measured using the thirteen-item scale (Form C) developed by Reynolds (1982). Responses options were true or false. Item analyses indicated acceptable internal consistency (Cronbach's $\alpha = 0.76$).

*Procedure*

The survey instrument was distributed via an email containing a link to the survey housed on the Qualtrics Experience Management (XM)™ platform. All participants were informed that the survey was voluntary, that all responses were anonymous and confidential, and that data would be used for research purposes only.

## RESULTS

Descriptive statistics for all variables are presented in Table 1. Potential common method variance was tested using the Harman one-factor method (Podsakoff, MacKenzie, & Podsakoff, 2012). Exploratory factor analysis was used to produce a single factor solution using all of the scale items in the study, and the unrotated solution was examined to determine if a single factor accounted for the majority of the variance in the model. Since a single factor accounted for 25.4% of the variance, which is less than the generally accepted 50% threshold, common method variance was concluded to be of minimal impact. Prior to testing the hypotheses, we conducted a series of confirmatory factor analyses to compare alternative models underlying the ethical climate, moral identity, and ethical behavior. The five-factor model of ethical climate representing instrumental, caring, independence, rules, and law and code (hereinafter referenced as "law") provided an acceptable fit to the data ($\chi^2 = 992.45$, df = 289, p = .000, CFI = .82, RMSEA = .09) and

provided a better fit than did (1) a three-factor model that represented the higher-order egoism, benevolence, and principle ethical climates ($\chi^2$ = 1577.59, df = 296, p = .000, CFI = .66, RMSEA = .012), or (2) a unidimensional model with a single ethical climate factor ($\chi^2$ = 2428.54, df = 299, p = .000, CFI = .44, RMSEA = .15). We also examined the factor structure of our measure of ethical behavior. Prior research (Akaah, 1996; Moore et al., 2012; Umphress et al., 2010) suggests that unethical behavior is best represented as three correlated but distinct variables (unethical pro-organizational behavior, ethical judgment, and moral disengagement). The three-factor solution for unethical behavior provided an acceptable fit ($\chi^2$ = 1683.63, df = 431, CFI = .84, RMSEA = .10) and a better fit to the data in the present study than the one-factor model that corresponded to unethical behavior as a unidimensional construct ($\chi^2$ = 2713.86, df = 434, CFI = .71, RMSEA = .13). However, the level of intercorrelation among the 3 factors was quite high (mean r = 0.74). Thus, we formed a composite measure of unethical behavior as the sum of the standardized scores for moral disengagement, unethical pro-organizational behavior and ethical judgment for subsequent use in the regression-based hypothesis testing. Finally, the two-factor model for moral identity hypothesized by Aquino and Reed (2002) provided an acceptable fit to the data ($\chi^2$ = 195.50, df = 34, CFI = .84, RMSEA = .13) and represented a better fit than a single factor model ($\chi^2$ = 504.24, df = 35, CFI = .53, RMSEA = .21). A summary of these results of these analyses are provided in Table 2.

**TABLE 1**
**SUMMARY STATISTICS, ZERO-ORDER CORRELATIONS AND SCALE RELIABILITIES**

| Scale | Mean | Std. Dev | N | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 1. Caring Climate | 29.94 | 6.19 | 301 | (0.83) | | | | | | | | | | |
| 2. Law Climate | 20.25 | 3.48 | 301 | .45** | (0.85) | | | | | | | | | |
| 3. Rules Climate | 19.04 | 3.63 | 301 | .55** | .66** | (0.83) | | | | | | | | |
| 4. Instrumental Climate | 22.07 | 6.96 | 301 | -.26** | -.24** | -.26** | (0.84) | | | | | | | |
| 5. Independence Climate | 12.63 | 4.42 | 301 | .28** | -0.03 | .12* | .16** | (0.84) | | | | | | |
| 6. Moral Disengagement | 17.03 | 8.37 | 301 | -0.01 | -.23** | -.15* | .40** | .35** | (0.87) | | | | | |
| 7. Unethical Pro-organizational Behavior | 13.44 | 8.12 | 301 | 0.02 | -.23** | -.15* | .33** | .28** | .71** | (0.92) | | | | |
| 8. Ethical Judgments | 31.68 | 17.64 | 301 | -0.03 | -.25** | -.17** | .44** | .33** | .71** | .62** | (0.95) | | | |
| 9. Moral Identity Internalization | 22.69 | 3.12 | 301 | 0.09 | .31** | .13* | -.31** | -.28** | -.48** | -.39** | -.46** | (0.78) | | |
| 10. Moral Identity Symbolization | 17.57 | 3.75 | 301 | .30** | 0.11 | .16** | -0.02 | .18** | 0.02 | 0.09 | 0.09 | .19** | (0.79) | |
| 11. Social Desirability | 7.93 | 3.05 | 301 | .22** | .16** | .24** | -.21** | -0.05 | -.31** | -.25** | -.35** | .15** | .18** | (0.76) |

Cronbach's alpha values are provided on the diagonal in parentheses. * Correlation is significant at the 0.05 level (2-tailed).
** Correlation is significant at the 0.01 level (2-tailed).

**TABLE 2**
**RESULTS OF CONFIRMATORY FACTOR ANALYSES**

| Construct | Model | $\chi^2$ | df | p value | CFI | TLI | RMSEA | $\Delta \chi^2$ | Δ df | Pr(>χ2) |
|---|---|---|---|---|---|---|---|---|---|---|
| **Ethical Climates** | Five-Factor | 992.45 | 289 | 0.00 | 0.82 | 0.79 | 0.09 | | | |
| | Three-Factor | 1577.59 | 296 | 0.00 | 0.66 | 0.63 | 0.12 | 585.14 | 7 | 0.00*** |
| | One-Factor | 2428.84 | 299 | 0.00 | 0.44 | 0.39 | 0.15 | 851.25 | 3 | 0.00*** |
| **Unethical Behavior** | Three-Factor | 1683.63 | 431 | 0.00 | 0.84 | 0.83 | 0.10 | | | |
| | One-Factor | 2713.86 | 434 | 0.00 | 0.71 | 0.39 | 0.13 | 1020.20 | 3 | 0.00*** |
| **Moral Identity** | Two-Factor | 195.50 | 34 | 0.00 | 0.84 | 0.78 | 0.13 | | | |
| | One-Factor | 504.24 | 35 | 0.00 | 0.53 | 0.39 | 0.21 | 308.75 | 1 | 0.00*** |

* Significant at 0.05 ** Significant at 0.01*** Significant at 0.001

In order to test hypothesis H1a and H1b, the correlations between the variables, as presented in Table 1, were examined. Instrumental climate showed significant positive correlations with Moral Disengagement, Unethical Pro Behavior, and Ethical Judgments, consistent with the relationships predicted by hypothesis H1a. Results also show that both Law and Rules climates had significant negative correlations with Moral Disengagement, Unethical Pro-organizational Behavior, and Ethical Judgments, consistent with the relationships predicted by hypothesis H1b. However, Caring climate did not significantly correlate with Moral Disengagement, Unethical Pro-organizational Behavior, and Ethical Judgments, and Independence climate had significant positive correlations with Moral Disengagement, Unethical Pro-organizational Behavior, and Ethical Judgments, which was the opposite of the relationship directions predicted by hypothesis H1b. We also used multiple linear regression to test hypotheses H1a and H1b with respect to the predicted relationships between ethical climates and unethical behavior. Regression models were used to predict Moral Disengagement, Unethical Pro-organizational Behavior, and Ethical Judgments, respectively, by regressing each outcome onto all of the ethical climate sub-scales simultaneously. The regression models were also used to predict Composite Unethical Behavior. Results are presented in Table 3. All models were significant ($p<0.001$), with adjusted R2 values ranging from 0.19 to 0.30. Results fully supported hypothesis H1a. Hypothesis H1b was supported for one of the principle climates (Law) but was not supported for the benevolence and the other principle climates.

In order to test hypothesis H2, the correlations between the variables, as presented in Table 1, were examined. Results show that Moral Identity Internalization, but not Moral Identity Symbolization, had significant negative correlations with Moral Disengagement, Unethical Pro-organizational Behavior, and Ethical Judgments, as predicted by hypothesis H2. Moral Identity Symbolization did not have significant correlations with Moral Disengagement, Unethical Pro-organizational Behavior, and Ethical Judgments. In a more robust test, regression models were used to predict Moral Disengagement, Unethical Pro-organizational Behavior, and Ethical Judgments as well as the composite of the three, respectively, by regressing each outcome onto both moral identity sub-scales simultaneously. Results are presented in Table 4. All models were significant ($p<0.001$), with adjusted $R^2$ values ranging from 0.18 to 0.27. These results provided partial support for hypotheses H2 by confirming that moral identity internalization, but not moral identity symbolization, was negatively correlated with unethical behavior.

**TABLE 3**
**RESULTS OF REGRESSION MODELS FOR ETHICAL CLIMATE EFFECTS ON UNETHICAL BEHAVIOR**

| | Dependent Variables | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 1. Moral Disengagement | | | 2. Unethical Pro-organizational Behavior | | | 3. Ethical Judgments | | | 4. Composite Unethical Behavior | | |
| Independent Variables | b | SE | p-value | b | SE | p-value | b | SE | p-value | b | SE | p-value |
| Constant | 0.00 | 0.05 | 1.000 | 0.00 | 0.05 | 1.000 | 0.00 | 0.05 | 1.000 | 0.00 | 0.05 | 1.000 |
| Caring Climate | 0.10 | 0.06 | 0.142 | 0.16 | 0.07 | 0.017 | 0.10 | 0.06 | 0.120 | 0.14 | 0.06 | 0.028 |
| Law Climate | -0.15 | 0.07 | 0.027 | -0.19 | 0.07 | 0.007 | -0.17 | 0.07 | 0.012 | -0.19 | 0.07 | 0.003 |
| Rules Climate | -0.05 | 0.07 | 0.503 | -0.06 | 0.08 | 0.407 | -0.05 | 0.07 | 0.491 | -0.06 | 0.07 | 0.384 |
| Instrumental Climate | 0.33 | 0.05 | 0.000 | 0.28 | 0.06 | 0.000 | 0.37 | 0.05 | 0.000 | 0.36 | 0.05 | 0.000 |
| Independence Climate | 0.27 | 0.06 | 0.000 | 0.19 | 0.06 | 0.001 | 0.24 | 0.05 | 0.000 | 0.26 | 0.05 | 0.000 |
| Adjusted $R^2$ | 0.25 | | | 0.19 | | | 0.28 | | | 0.30 | | |
| df | 5 | | | 5 | | | 5 | | | 5 | | |
| F | 21.25 | | | 14.81 | | | 24.47 | | | 26.56 | | |
| p-value | 0.000 | | | 0.000 | | | 0.000 | | | 0.000 | | |

All regression coefficients presented are unstandardized.

Hierarchical multiple linear regression was used to test hypothesis H3a and H3b. For each model, ethical climate was added in step 1, moral identity was entered in step 2, and the interaction between ethical climate and moral identity was entered in step 3, with Composite Unethical Behavior (CUB) as the dependent variable. Results are presented in Table 5.

**TABLE 4**
**RESULTS OF REGRESSION MODELS FOR MORAL IDENTITY EFFECTS ON UNETHICAL BEHAVIOR**

| | Dependent Variables | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | 5. Moral Disengagement | | | 6. Unethical Pro-organizational Behavior | | | 7. Ethical Judgments | | | 8. Composite Unethical Behavior | | |
| Independent Variables | b | SE | p-value | b | SE | p-value | b | SE | p-value | b | SE | p-value |
| Constant | 0.00 | 0.05 | 1.000 | 0.00 | 0.05 | 1.000 | 0.00 | 0.05 | 1.000 | 0.00 | 0.05 | 1.000 |
| Moral Identity Internalization | -0.50 | 0.05 | 0.000 | -0.43 | 0.05 | 0.000 | -0.49 | 0.05 | 0.000 | -0.53 | 0.05 | 0.000 |
| Moral Identity Symbolization | 0.12 | 0.05 | 0.020 | 0.17 | 0.05 | 0.002 | 0.18 | 0.05 | 0.000 | 0.18 | 0.05 | 0.000 |
| Adjusted $R^2$ | 0.24 | | | 0.18 | | | 0.24 | | | 0.27 | | |
| df | 2 | | | 2 | | | 2 | | | 2 | | |
| F | 47.662 | | | 33.229 | | | 47.380 | | | 56.442 | | |
| p-value | 0.000 | | | 0.000 | | | 0.000 | | | 0.000 | | |

All regression coefficients presented are unstandardized.

Consistent with hypothesis H3a, a significant interaction effect was found for Moral Identity Internalization (MII) by Instrumental Climate (INS), which explained an additional 10% of the variance in unethical behavior above the main effects. The model was statistically significant ($F=36.76$; adj. $R^2 = 0.42$;

p = 0.000), and the beta coefficient for the interaction term of -0.29 (p = 0.000) indicated that as MII increased, CUB decreased, which was consistent with the predicted relationship direction. Examination of the MII x INS interaction indicates that instrumental climate had a stronger correlation with unethical behavior when moral identity internalization was low vs. when moral identity internalization was high. The interaction effect Moral Identity Symbolization (MIS) by Instrumental Climate was also significant but in the opposite of the predicted relationship direction. Specifically, instrumental climate had a stronger correlation with unethical behavior when moral identity symbolization was high vs. when moral identity symbolization was low. Together, these results provided partial support for Hypothesis 3a in that moral identity internalization was shown to moderate the positive relationship between egoism climate and unethical behavior such that the relationship became weaker as moral identity increased. However, hypothesis H3a was not fully supported, as the results showed that moral identity symbolization had a moderating effect that was opposite of the predicted impact on the relationship between egoism climate and unethical behavior.

Consistent with hypothesis H3b predictions with respect to benevolence climates, a significant interaction effect was found for Moral Identity Internalization by Caring Climate. The model was statistically significant (F=19.96; adj. $R^2$ = 0.28; p=0.000), and the beta coefficient for the interaction term of -0.18 (p=0.003) indicated that as MII increased, unethical behavior decreased, which was consistent with the predicted relationship direction. Consistent with hypothesis H3b predictions with respect to principle climates, a significant interaction was found for Moral Identity Internalization by Independence Climate. The model was statistically significant (F = 28.11; adj. $R^2$ = 0.36; p = 0.000), and the beta coefficient for the interaction term of -0.26 (p = 0.000) indicated that as MII increased, unethical behavior decreased, which was consistent with the predicted relationship direction. All other interaction effects tested were either significant but opposite of the predicted relationships or were found to not be significant. Together, these results provided partial support for hypothesis H3b with respect to benevolence and principle climates in that moral identity internalization, but not moral identity symbolization, was shown to moderate the relationships between the benevolence and principle climates and unethical behavior such that the relationships became more strongly negative as moral identity increased.

**TABLE 5**
**RESULTS OF MODERATED REGRESSION MODELS FOR CLIMATE AND MORAL IDENTITY INTERACTION EFFECTS ON COMPOSITE UNETHICAL BEHAVIOR**

| | | | | Model 3 | | | |
|---|---|---|---|---|---|---|---|
| | | Model 1 β | Model 2 β | β | SE | p | 95% CI |
| Caring Climate | Constant | 0.01 | 0.03 | 0.03 | 0.05 | 0.613 | -0.08, 0.13 |
| | Caring | 0.01 | 0.00 | 0.04 | 0.06 | 0.524 | -0.07, 0.15 |
| | Moral Identity Internalization | | -0.51*** | -0.54*** | 0.05 | 0.000 | -0.65, -0.43 |
| | Moral Identity Symbolization | | 0.14* | 0.14* | 0.06 | 0.019 | 0.02, 0.25 |
| | Caring x Moral Identity Internalization | | | -0.18** | 0.06 | 0.003 | -0.29, -0.06 |
| | Caring x Moral Identity Symbolization | | | 0.07 | 0.05 | 0.176 | -0.03, 0.17 |
| | $R^2$ (Adjusted $R^2$) | 0 (0) | 0.27 (0.26) | 0.3 (0.28) | | | |
| | F | 0.02 | 29.13*** | 19.96*** | | | |
| | $\Delta R^2$ | 0.00 | 0.27 | 0.03 | | | |
| | ΔF | 0.02 | 43.69*** | 4.81** | | | |
| Rules Climate | Constant | -0.01 | 0.02 | 0.02 | 0.05 | 0.737 | -0.09, 0.12 |
| | Rules | -0.15* | -0.12* | -0.12* | 0.05 | 0.032 | -0.22, -0.01 |
| | Moral Identity Internalization | | -0.50*** | -0.51*** | 0.06 | 0.000 | -0.62, -0.4 |
| | Moral Identity Symbolization | | 0.16** | 0.16** | 0.06 | 0.005 | 0.05, 0.27 |
| | Rules x Moral Identity Internalization | | | -0.08 | 0.06 | 0.168 | -0.19, 0.03 |
| | Rules x Moral Identity Symbolization | | | 0.07 | 0.05 | 0.211 | -0.04, 0.17 |
| | $R^2$ (Adjusted $R^2$) | 0.03 (0.02) | 0.28 (0.27) | 0.29 (0.28) | | | |
| | F | 6.40* | 31.43*** | 19.45*** | | | |
| | $\Delta R^2$ | 0.03 | 0.26 | 0.01 | | | |
| | ΔF | 6.40* | 42.83*** | 1.35 | | | |

| | | | | | | | |
|---|---|---|---|---|---|---|---|
| Law Climate | Constant | 0.00 | 0.03 | 0.03 | 0.06 | 0.554 | -0.08, 0.14 |
| | Law | -0.23*** | -0.10 | -0.10 | 0.05 | 0.074 | -0.21, 0.01 |
| | Moral Identity Internalization | | -0.48*** | -0.49*** | 0.06 | 0.000 | -0.6, -0.37 |
| | Moral Identity Symbolization | | 0.15** | 0.15** | 0.06 | 0.008 | 0.04, 0.26 |
| | Law x Moral Identity Internalization | | | -0.01 | 0.05 | 0.866 | -0.11, 0.1 |
| | Law x Moral Identity Symbolization | | | -0.02 | 0.06 | 0.765 | -0.13, 0.09 |
| | $R^2$ (Adjusted $R^2$) | 0.06 (0.05) | 0.28 (0.27) | 0.28 (0.26) | | | |
| | F | 14.91*** | 30.59*** | 18.24*** | | | |
| | $\Delta R^2$ | 0.06 | 0.22 | 0.00 | | | |
| | $\Delta F$ | 14.91*** | 36.24*** | 0.08 | | | |
| Instrumental Climate | Constant | 0.01 | 0.03 | -0.04 | 0.05 | 0.375 | -0.14, 0.05 |
| | Instrumental | 0.38*** | 0.27*** | 0.31*** | 0.05 | 0.000 | 0.21, 0.41 |
| | Moral Identity Internalization | | -0.45*** | -0.31*** | 0.05 | 0.000 | -0.42, -0.21 |
| | Moral Identity Symbolization | | 0.14* | 0.06 | 0.05 | 0.219 | -0.04, 0.16 |
| | Instrumental x Moral Identity Internalization | | | -0.29*** | 0.05 | 0.000 | -0.4, -0.19 |
| | Instrumental x Moral Identity Symbolization | | | 0.15** | 0.05 | 0.004 | 0.05, 0.26 |
| | $R^2$ (Adjusted $R^2$) | 0.14 (0.14) | 0.34 (0.33) | 0.44 (0.42) | | | |
| | F | 40.59*** | 40.48*** | 36.76*** | | | |
| | $\Delta R^2$ | 0.14 | 0.19 | 0.10 | | | |
| | $\Delta F$ | 40.59*** | 34.74*** | 21.01*** | | | |
| Independence Climate | Constant | 0.02 | 0.03 | -0.04 | 0.05 | 0.426 | -0.14, 0.06 |
| | Independence | 0.30*** | 0.18** | 0.20*** | 0.05 | 0.000 | 0.09, 0.3 |
| | Moral Identity Internalization | | -0.46*** | -0.39*** | 0.05 | 0.000 | -0.5, -0.28 |
| | Moral Identity Symbolization | | 0.10 | 0.08 | 0.05 | 0.152 | -0.03, 0.18 |
| | Independence x Moral Identity Internalization | | | -0.26*** | 0.05 | 0.000 | -0.36, -0.16 |
| | Independence x Moral Identity Symbolization | | | 0.11 | 0.05 | 0.024 | 0.01, 0.2 |
| | $R^2$ (Adjusted $R^2$) | 0.09 (0.09) | 0.3 (0.29) | 0.37 (0.36) | | | |
| | F | 24.34*** | 33.62*** | 28.11*** | | | |
| | $\Delta R^2$ | 0.09 | 0.21 | 0.08 | | | |
| | $\Delta F$ | 24.34*** | 34.84*** | 14.26*** | | | |

Unstandardized regression coefficients are shown. CI= confidence interval.
* Significant at 0.05 ** Significant at 0.01 *** Significant at 0.001

Notwithstanding the absence of an indication of a common method factor (described above), we took the additional step of using Socially Desirable Responding (SDR) (Reynolds, 1982) as a control in the regression analyses. It should be noted that while there are several interpretations of the SDR construct, SDR has been considered a form of common method bias whereby the responder is biased towards answering in a fashion that they either believe is the **"**good" answer or appears to be more socially acceptable across measures (Crowne & Marlow, 1960; Furnham, 1986; Paulhaus, 1991). This suggests using SDR as a control variable before examining other independent variables in the model may reduce this potential bias (Vesely & Klöckner, 2020). Inclusion of SDR in this manner in the present study did not change the pattern of results with respect to any of the analyses described above. Similarly, inclusion of the other potential control variables (age, gender, average hours worked per week, years in organization, total employees in organization, levels to CEO, role in organization, total years of experience in industry) in the models did not result in changes to any of the conclusions. Consequently, the results reported above do not include the control variables.

## DISCUSSION

The primary goal of this study was to empirically examine the impact of psychological ethical climate on unethical behavior. While unethical behavior in general has been previously examined in the literature, we focused on unethical behavior as reflected in moral disengagement, ethical judgment, and unethical pro-organizational behavior. We examined whether and how ethical climate types correlated with these aspects of unethical behavior in organizations. In addition, we investigated the extent to which moral identity correlated with unethical behavior, and whether moral identity moderated the impact of ethical climates on unethical behavior. Of the five hypotheses proposed in this study, full support was found for one and partial

support was found for four. The relationships confirmed in this study offer several extensions to the literature.

**Moral Identity and Unethical Behavior**

This study builds on a stream of research on the effects of moral identity on unethical behavior. Multiple researchers have empirically demonstrated a link between moral identity and unethical decision-making (Hardy, 2006; Reynolds & Ceranic, 2007; Shao et al., 2008). This study extends the literature by providing empirical evidence that moral identity was negatively correlated with moral disengagement, ethical judgment, and unethical pro-organizational behavior and also confirmed that the moral identity internalization dimension was a significant predictor of unethical behavior whereas moral identity symbolization was not. This observation has at least three key implications. First, this result confirms that moral identity internalization and moral identity symbolization are distinct constructs, as suggested by the CFA results, and that these dimensions effect individual outcomes in different ways, consistent with prior research (Aquino & Reed, 2002; Treviño et al., 2014). Second, this result suggests that moral disengagement, ethical judgment, and unethical pro-organizational behavior are conceptually related more to outcomes or measures that do not have a self-presentational or public dimension that is associated more with moral identity symbolization (Aquino & Reed, 2002) that with moral identity internalization. Third, this result also suggests that unethical behaviors that have a more salient self-presentational or public dimension may be more sensitive to moral identity symbolization as well as to social desirability bias.

This study also indicated boundary conditions that influence the strength of the relationships between ethical climates and unethical behavior by providing evidence that stronger moral identity decreased the magnitude of the positive effect of egoism climates on moral disengagement, ethical judgment, and unethical pro-organizational behavior, and increased the magnitude of the negative effects of benevolence and principle climates on these unethical behaviors. These findings add to the extant literature related to the moderating role of moral identity on the relationships between ethical climates and other types of unethical behavior (Aquino et al., 2009; Birtch & Chiang, 2014; Matherne III & Litchfield, 2012; Reynolds & Ceranic, 2007). Similar to the direct relationships between moral identity and unethical behaviors, this study found that these interaction effects were significant and in the predicted direction only for the moral identity internalization dimension, which suggests that individuals who have high moral identity internalization are more likely to make ethical decisions based on a strong internal moral sense and are less susceptible to the external context as it relates to ethical decision-making. Prior research has found that ethical climate had a positive effect on moral decision making for individuals low in moral identity but no effect for those high in moral identity (van Gils et al., 2017), and that moral priming had a greater influence on the likelihood to engage in unethical behaviors among those with weaker moral identities as compared to those with stronger moral identities (Aquino et al., 2009). This study extends this research by providing support for the existence of significant interaction effects between moral identity internalization and unethical behavior specifically with respect to moral disengagement, ethical judgment, and unethical pro-organizational behavior. Interaction effects involving the moral identity symbolization dimension were either not significant or affected the relationships in the opposite of the predicted direction. This unexpected result may be rooted in the observation that individuals who perceive egoism climates are more likely to prioritize self-interest above other considerations when making ethical decisions, as suggested by ethical climate theory (Victor & Cullen, 1988). Such individuals may be more conscious of self-image and therefore may be more sensitive to the symbolization dimension of moral identity, which "taps a more general sensitivity to the moral self as a social object whose actions in the world can convey that one has these characteristics" (Aquino & Reed, 2002:1426). Therefore, the ethical behaviors of individuals with high moral identity symbolization may be more sensitive to the influence of egoism ethical climates because such individuals may be more concerned with presenting the appearance of ethical behavior as compared to actually behaving ethically.

**Ethical Climates and Unethical Behavior**

The models investigated extend extant theory related to the relationships between ethical climate and unethical behavior as reflected in moral disengagement, ethical judgment, and unethical pro-organizational behavior. The correlations between the egoism climate and unethical behaviors in this study were found to be significant and in the predicted direction, as were the correlations between one of the principle climates, specifically the law and code climate, and unethical behaviors. These results are generally consistent with some of the results of Kish-Gephart et al.'s (2010) meta-analysis, which found that egoism climates increased unethical choices and that principle climates decreased unethical choices, as well as with those of Martin and Cullen (2006) who found a significant negative correlation between the law and code climate and dysfunctional behavior. Together, these results suggest that the influence of climate on unethical behaviors is greatest at the climate extremes (i.e., egoism and principle climates), consistent with the findings of Schminke, Ambrose, and Neubaum (2005).

However, the predicted correlations between the benevolence, rules, and independence climates and unethical behaviors were not found. In fact, this study found that the correlation between the independence climate and unethical behavior was significant and positive, which was the opposite direction of the predicted relationship. Individuals who perceive independence climates base ethical decisions on deeply held personal moral convictions without substantial regard for outside influence (Elm & Nichols, 1993). This makes predictions about the effect of independence climates on outcomes and behaviors difficult to make, and, therefore, this result is not entirely surprising. This study also failed to find evidence that an increased perception of benevolence climate was correlated with less willingness to engage to engage in moral disengagement, unethical pro-organizational behavior and ethical judgments, as hypothesized. This unexpected finding may result from several potential causes. Elm and Nichols (1993) predicted that ethical decisions in a benevolence ethical climate are based on an overarching concern for the well-being of others, and that decision guidelines focus on achieving overall welfare for the organizational population. Therefore, individuals who perceive a benevolence ethical climate may not be less likely to engage in unethical pro-organizational behavior because their guiding focus is on securing potential benefits to the organization. Second, individuals who perceive a benevolence ethical climate may not be less likely to engage in moral disengagement, potentially because they are willing to engage mechanisms that minimize, rationalize, or distort actions in service of their goal of achieving the best outcome for others. Lastly, individuals who perceive benevolence climates may not be less likely to engage in ethical judgments, perhaps because they perceive that these behaviors, such as stealing, do not have a detrimental effect on others.

Thus, this study's results contrast with the results obtained by Kish-Gephart et al. (2010) with respect to benevolence climates, which they found decreased unethical choices with moderate predictive strength, as well as with the results obtained by Martin and Cullen (2006), who found a weak negative correlation between the rules climate and dysfunctional behavior. The finding that benevolence climate was not significantly correlated with unethical behavior also contradicts prior studies that suggest that caring climates are the most preferred (Cullen et al., 2003). These findings imply that additional boundary effects, including the type of unethical behavior, may be a salient factor in the direction and strength of the relationships between unethical behaviors and ethical climate types, and suggest that a broader conceptualization of the organizational ethical context may be needed. For example, Arnaud and Schminke (2012) found that collective moral emotion and collective ethical efficacy moderated the relationship between ethical climate and ethical behavior. Further investigation of the underlying mechanisms of these relationships is warranted.

**Practical Implications**

This study provides useful insights for managers and other practitioners about the relationships between ethical climates and unethical behavior and between moral identity and unethical behavior to enable them to take targeted, research-based actions in order to minimize negative organizational outcomes. First, this study found that a significant percentage of the variances in moral disengagement, unethical pro-organizational behavior, and ethical judgment could be attributed to ethical climates. Thus, an organization's ethical climate was a powerful predictor of unethical behaviors. Across all of the models

tested in this study, egoism climate had the strongest and most consistent positive relationship with unethical behavior, while principle climate had the most consistent negative relationship with unethical behavior. Therefore, organizations should consider employing methods to systematically discourage egoism climates and promote principle climates in order to reduce the propensity of organizational members to engage in unethical behavior. Organizations should also consider use of the Ethical Climate Questionnaire as a diagnostic tool to identify specific areas of the organization more prone to negative ethical climates in order to effectively focus investments in interventions.

Broadly speaking, ethical climates emerge in response to three classifications of antecedents: external organization context, organizational form, and strategic orientation (Martin & Cullen, 2006). Most organizations cannot readily change the external organization context nor the organizational form, and therefore should focus their efforts on strategic and managerial orientation in order to influence the ethical climate. Several antecedents in the latter area have been shown to predict the development of positive ethical climates, including hiring and training leaders to be more ethical (Demirtas & Akdogan, 2015; Wu, 2017), implementing ethical codes (McCabe, Treviño, & Butterfield, 1996; Treviño et al., 1998), and strategically using rewards and punishments (Hegarty & Sims, 1979). Future research should further investigate specific interventions that organizations can implement in order to promote the desired ethical climates within their organizations. For example, organizations could establish incentive pay structures that are tied to demonstration of desired behaviors or to measures of positive ethical behavior, such as on-time completion of ethical training or annual attestation of a code of ethics. Other options include organization-sponsored training potentially focused on increasing the moral awareness of employees or educating employees in forming moral judgments.

Additionally, this study found that a significant percentage of the variance in moral disengagement, unethical pro-organizational behavior, and ethical judgment could be attributed to moral identity. Based on Attraction-Selection-Attrition theory (Schneider, 1987), organizations hire and retain individuals that share certain traits and attitudes. Organizations should evaluate whether staffing strategies that consider the moral identity profile of potential and current employees can help to build and sustain an organization consisting of individuals who have higher moral identity internalization and who are therefore less likely to engage in unethical behavior. Additionally, researchers should examine whether a minimum threshold exists above which organizations can be considered to have a critical mass of high moral identity employees. Future research should examine the stability of moral identity as a self-conception and whether its relationship with the propensity to engage in unethical behavior is consistent over time. Such research could be useful inputs for organizational decision-making with respect to making investments in hiring and retaining employees based in part on moral identity profiles.

**Limitations**

As with any study, it is important to recognize potential limitations of the current study. Specifically, our data is based on same-source, self-report, and cross-sectional data. Clearly the cross-sectional nature of the data precludes drawing specific directional, causal conclusions. Here it is important to note that we focus on quantifying association and prediction rather than on drawing causal inferences (i.e., we do not test a directional model, such as mediation, but rather focus on the manifest correlations among the constructs). Thus, it must be noted that while our data are consistent with a model in which climates impact schema accessibility, they cannot 'prove' this directionality. Nonetheless, it is also important to note that this directionality is more consistent with existing theory than the reverse.

We also recognize that we do not measure unethical behavior directly, but rather obtain self-reports of unethical behavior, which introduces potential method bias. The primary issue here is that of a common source for reports of climate perceptions, moral identity, and unethical behavior. Thus, the potential exists for inflated correlations among the variables as a result of the common source variance. Nonetheless, our empirical verification of the factor structure of our measures provides support for the hypothesized multi-construct structure. We would also offer that the literature on common methods bias tends to indicate that while common methods may introduce some bias, it is typically not enough to invalidate results (e.g., Doty & Glick, 1998; Spector, 1987, 2006) and there are other potential problems with distinct source research

(Kammeyer-Mueller, Steel, & Rubenstein, 2010). Finally, we would note that common method bias would serve to inflate the correlations among the primary variables and thus make it more unlikely to find interaction effects. As Podsakoff et. al. (2012, p. 543) notes, "although interaction and quadratic effects can be severely deflated by method bias, they cannot be artifacts of it". Thus, given that one of primary findings is the ethical climate/moral identity interaction, common methods variance does not appear to be overly problematic. Future research should seek to employ multi-source measures (e.g., archival reports of unethical behaviors) instead of self-reports.

Finally, while our use of a random sample of respondents across a range of organizations increases the generalizability of our results, it also precludes an examination of within unit/organization agreement with respect to climate. Thus, it is impossible for us to ascertain the extent to which climate responses represent individual idiosyncratic perceptions or cross individual unit level climates. Previous research on psychological climate, however, demonstrates the importance of individual level climate perceptions for predicting a range of outcomes (James et al., 2008; James & James, 1989). Nonetheless, an examination of the level of ethical climate strength (i.e., cross-individual, within unit agreement) is an important avenue for future research.

## CONCLUSION

This study found evidence that moral identity had a direct effect on moral disengagement, ethical judgment and unethical pro-organizational behavior, such that a person with higher moral identity had a lower propensity to engage in these behaviors. Additionally, this study provided evidence that moral identity moderated the relationships between ethical climate types and these unethical behaviors, such that the positive relationship between egoism climate and unethical behavior became weaker and the negative relationships between benevolence and principle climates and unethical behavior became stronger when moral identity was high. These results were produced for the internalization dimension of moral identity, but not for the symbolization dimension. Lastly, this study found evidence that principle ethical climates reduced the propensity to engage in unethical behavior, whereas egoism ethical climates increased it, confirming prior research. This research improves academic understanding of ethical climate outcomes with respect to three less-researched unethical behaviors and generates several implications for theory, all of which may be further developed and tested. A better understanding of how ethical climates impact these processes contributes to foundational knowledge on how a wide range of frequently encountered unethical behaviors are enacted, allowing for conclusions that are applicable more broadly and the identification of more impactful prescriptions for minimizing their frequency. This research also suggests the importance of moral identity internalization on the propensity for individuals to engage in unethical behavior, regardless of the ethical climate type. This study produces useful insights by which organizations can endeavor to actively enhance ethical climates and employee selection and retention strategies to maximize desirable outcomes.

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## APPENDIX

**FIGURE 1**
**MODERATED MODEL FOR ETHICAL CLIMATE EFFECTS ON UNETHICAL BEHAVIOR**

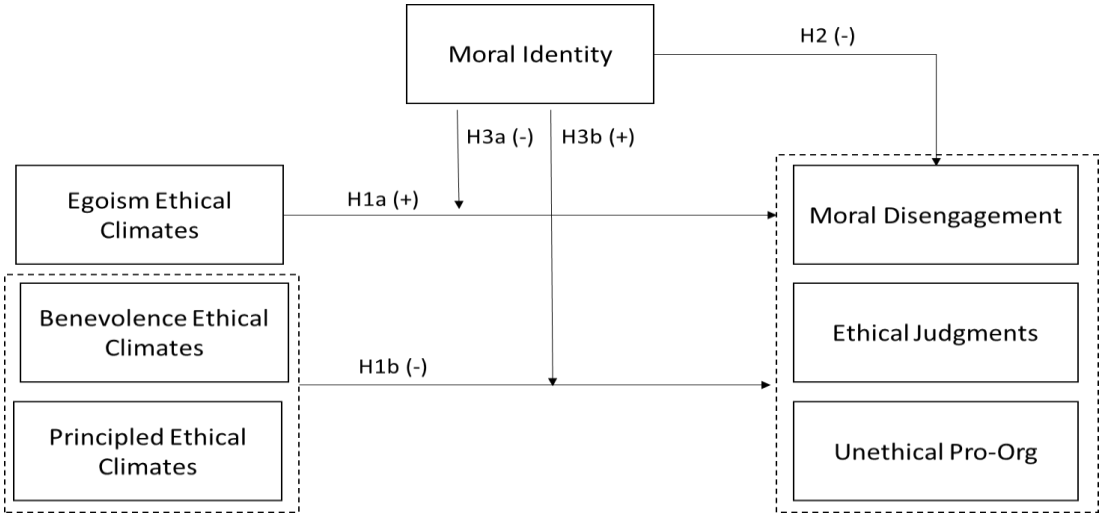
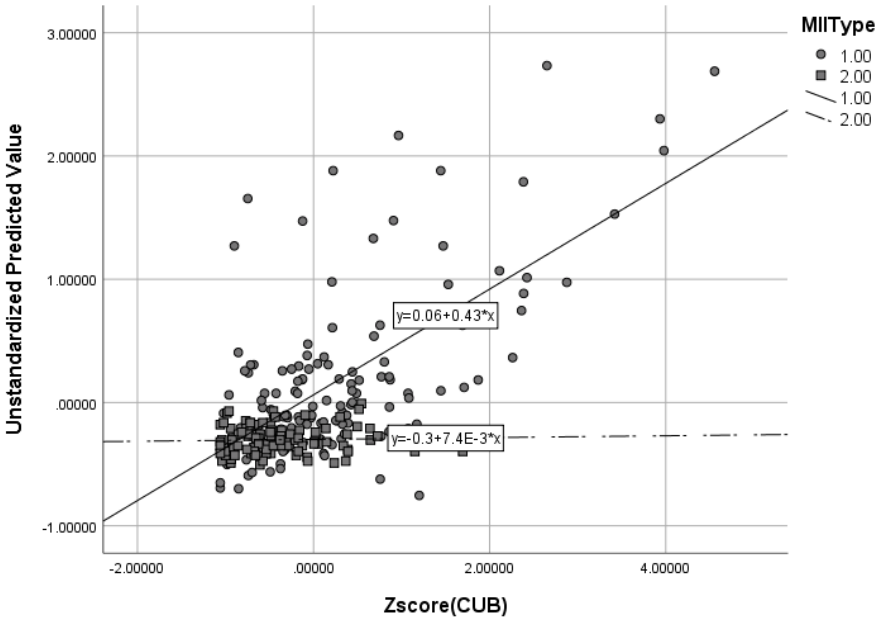
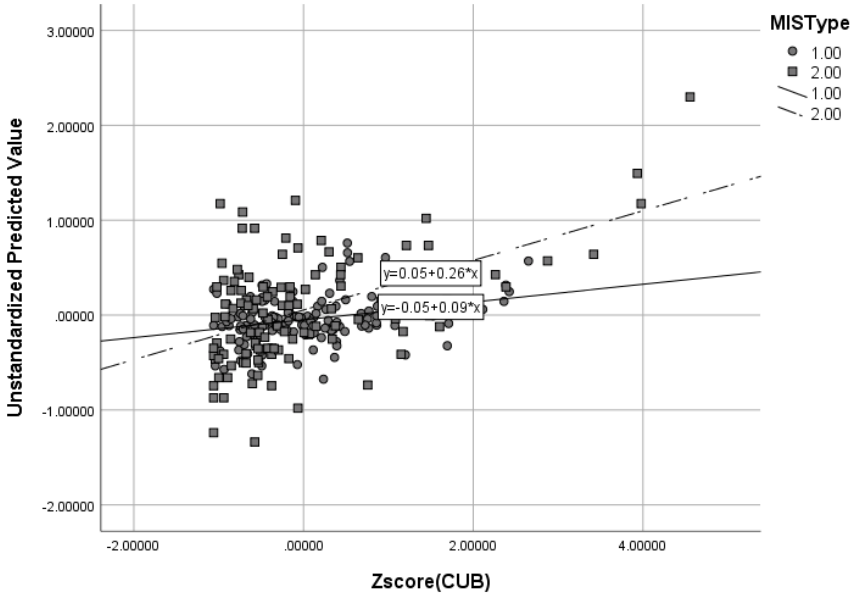


**FIGURE 2**
**MODERATION EFFECT OF MORAL IDENTITY INTERNALIZATION ON INSTRUMENTAL CLIMATE RELATIONSHIP WITH UNETHICAL BEHAVIOR**



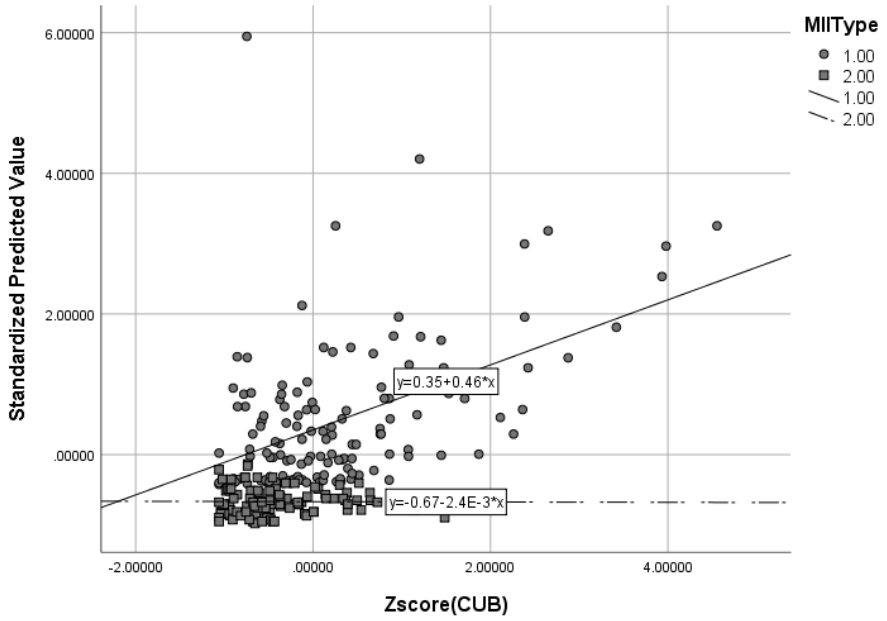

1 = Low moral identity internalization (i.e., moral identity internalization below the 50th percentile)
2 = High moral identity internalization (i.e., moral identity internalization above the 50th percentile)

**FIGURE 3**
**MODERATION EFFECT OF MORAL IDENTITY SYMBOLIZATION ON INSTRUMENTAL CLIMATE RELATIONSHIP WITH UNETHICAL BEHAVIOR**



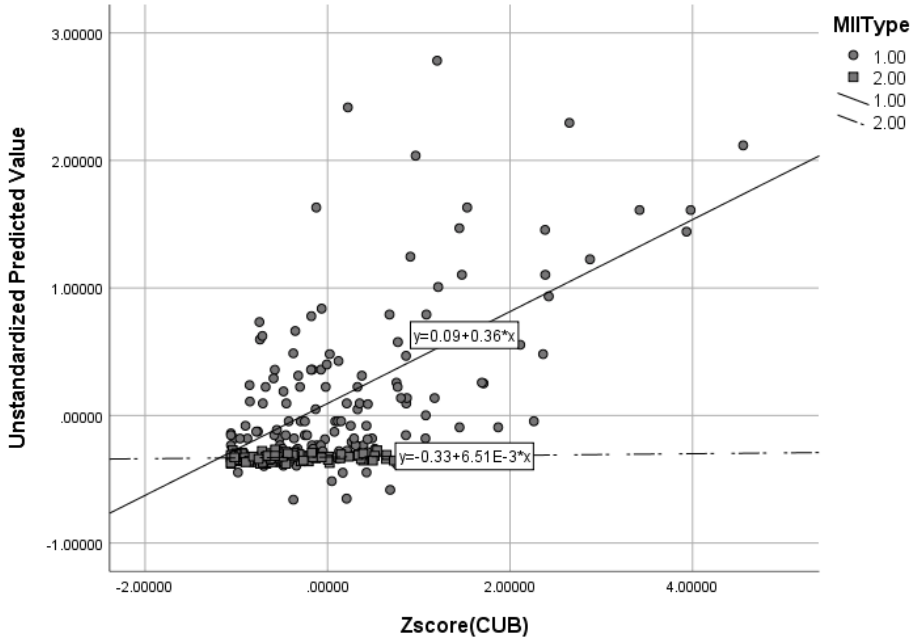

1 = Low moral identity internalization (i.e., moral identity internalization below the 50th percentile)
2 = High moral identity internalization (i.e., moral identity internalization above the 50th percentile)

**FIGURE 4**
**MODERATION EFFECT OF MORAL IDENTITY INTERNALIZATION ON CARING CLIMATE RELATIONSHIP WITH UNETHICAL BEHAVIOR**




1 = Low moral identity internalization (i.e., moral identity internalization below the 50th percentile)
2 = High moral identity internalization (i.e., moral identity internalization above the 50th percentile)

**FIGURE 5**
**MODERATION EFFECT OF MORAL IDENTITY INTERNALIZATION ON INDEPENDENCE CLIMATE RELATIONSHIP WITH UNETHICAL BEHAVIOR**




1 = Low moral identity internalization (i.e., moral identity internalization below the 50th percentile)
2 = High moral identity internalization (i.e., moral identity internalization above the 50th percentile)