

Elina Riivari

## Virtues for Innovativeness

A Mixed Methods Study of Ethical Organisational  
Culture and Organisational Innovativeness



JYVÄSKYLÄ STUDIES IN BUSINESS AND ECONOMICS 168

Elina Riivari

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## ABSTRACT

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This study examined ethical organisational culture, consisting of ethical organisational virtues, and organisational innovativeness. More specifically, the study explored the relationship between the phenomena. Ethical organisational culture was studied using Corporate Ethical Virtues (CEV) model, which is based on the virtue theory of business ethics. This research makes a contribution to prior research on ethical organisational culture by linking the concept of organisational innovativeness (OIN) to it. The overall goal of this study was to increase the understanding about the ethical organisational culture and its role in organisational innovativeness, and to provide a rich description of the topic using a mixed methods approach. The aims of this study were to examine the relationship between ethical organisational culture and organisational innovativeness, to increase the understanding about the relationship, and to discuss how mixed methods could be applied in organisational ethics and innovativeness research. The findings of this study showed that ethical organisational culture was associated with organisational innovativeness. The CEV and OIN scales were found to be valid instruments for assessing ethical organisational culture and organisational innovativeness in Finnish organisations. Further, the results showed that specific virtues of ethical culture were differently associated with various dimensions of organisational innovativeness. In general, the ethical organisational culture had a specific role in process and behavioural innovativeness. In addition, the findings suggested that ethically congruent behaviour of top management had the strongest association with organisational innovativeness overall and specifically with process and behavioural innovativeness. Furthermore, specific ethical organisational virtues, namely feasibility, discussability and supportability, seemed to encourage innovative behaviour in organisations. Thus, organisations could benefit from understanding which virtues of ethical culture are particularly relevant to organisational innovativeness. Finally, this study used mixed methods approach and provided more versatile and detailed information on ethical organisational culture and organisational innovativeness than a single-method study would have allowed.

Keywords: ethical culture; ethics; innovation; innovativeness; organisational culture; mixed methods; virtue ethics

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## FIGURES

FIGURE 1 Framework of the study.....	43
FIGURE 2 Research process and design.....	47

## TABLES

TABLE 1 Research on ethics and innovation in organisations, listed in chronological order .....	40
TABLE 2 Background characteristics of participants in Studies 2 and 3.....	51
TABLE 3 Background characteristics of the interviewees in Study 4 .....	52
TABLE 4 Summary of the original studies 1-4: Study types, participants and analysis methods.....	54

## CONTENTS

ABSTRACT

ACKNOWLEDGEMENTS

FIGURES AND TABLES

CONTENTS

1	INTRODUCTION.....	11
1.1	The research topic and contributions of the study .....	11
1.2	Organisational culture and ethics .....	15
1.2.1	Organisational culture .....	15
1.2.2	Virtues in organisations .....	18
1.2.3	Ethics in organisations .....	21
1.2.4	Previous studies on ethical organisational culture and organisational outcomes.....	27
1.3	Organisational innovativeness .....	29
1.3.1	Innovation and innovativeness.....	29
1.3.2	Innovativeness in the organisation .....	30
1.3.3	Determinants of organisational innovativeness.....	34
1.3.4	Linkage between ethical organisational culture and innovativeness.....	36
1.4	Aims of the research .....	43
2	METHODS .....	45
2.1	Mixed methods research .....	45
2.2	Data and analysis .....	49
2.2.1	Participants .....	49
2.2.2	Measures .....	53
2.2.3	Data analyses.....	54
3	OVERVIEW OF THE ORIGINAL STUDIES .....	56
3.1	Study 1 .....	56
3.2	Study 2 .....	57
3.3	Study 3 .....	57
3.4	Study 4 .....	58
4	DISCUSSION .....	60
4.1	Summary of the main findings.....	60
4.2	Relationship between ethical culture and organisational innovativeness.....	62
4.3	Evaluations of ethical culture and organisational innovativeness in Finnish organisations .....	66
4.4	Strengths and limitations of the research .....	67
4.5	Practical considerations and further research.....	69
4.6	Conclusion.....	71
	YHTEENVETO (SUMMARY).....	72
	REFERENCES .....	75

# 1 INTRODUCTION

## 1.1 The research topic and contributions of the study

Ethics is an important feature for organisations, both in theory and practice. Academics have noted that ethics play a critical role in organisations' sustainable performance and reputation (e.g., Carroll, 1991; Crane & Matten, 2007; Kujala, Lehtimäki & Pucetaite 2015; Paine 1997; Solomon 2004). Further, organisations have begun to pay more attention to ethics in their values and official statements, as well as in their everyday activities (e.g., Kooskora & Virkoja, 2015). In our globalised world, organisations continue to face situations where values and interests are incompatible; therefore, they need guiding norms and principles to successfully cope with this incompatibility (Crane & Matten, 2007). Ethical misconduct such as cheating, dishonesty, corruption or discrimination is not only harmful for individuals; it also affects societies and organisations themselves (Crane & Matten, 2007). The well-known example of Enron is a reminder of how a lack of attention to ethical issues in an organisation might lead to radical organisational consequences and even collapse (Sims & Brinkmann, 2003). Prior research has shown that in addition to legal standards, official value statements and ethical codes, the ethicality of an organisation's own culture plays an important role in maintaining and enhancing its ethical practices (e.g., Collier, 1998; Kaptein, 2008, 2009; Paine, 1997, Treviño, Butterfield & McCabe, 1998; Treviño & Weaver, 2003). This dissertation consists of two sections: first, the introductory portion and second, the original articles. The introductory section includes four chapters. The first chapter presents the background, theoretical foundations and aims of this study. Chapter 2 presents the philosophical basis and the research methodology of this study. An overview of the original articles is presented in Chapter 3. Finally, Chapter 4 summarises the main discussion points and conclusions of the research.

Organisational culture consists of values, norms, beliefs, assumptions and practices that guide an organisation's members' everyday behaviour and decision-making (e.g., Hofstede, 2001; Key, 1999; Schein, 1985; Sinclair, 1993; Smir-

cich, 1983). It plays an essential role in declaring and developing ethical values in an organisation (Key, 1999; Sinclair, 1993). This study focusses on the ethical element of organisational culture, more specifically, the ethical culture of an organisation from the viewpoint of the organisation's ethical virtues (Kaptein, 1998). An ethical culture demonstrates an organisation's ethics and guides its ethical conduct (Key, 1999). In this study, ethical culture is defined as those features in the organisational culture that encourage the members of the organisation to act ethically and prevent them from acting unethically (Collier, 1995, 1998; Kaptein, 2008; Treviño 1990).

The idea of ethical culture in an organisation (Kaptein, 2008) is based on virtue ethics (Aristotle, 2001) and virtue-based theory in business (Solomon, 1992b, 2004). Scholars have acknowledged virtue ethics in recent business ethics research (e.g., Ferrero & Sison, 2014; Sison, Hartman & Fontrodona, 2012; Sison & Ferrero, 2015; Solomon 2004). In virtue ethics, right actions are determined through reference to virtues, rather than the other way around (Sison, Hartman & Fontrodona, 2012). Virtue ethics corresponds to universal principles like deontology and fosters outcomes like utilitarianism (Ferrero & Sison, 2014). This type of ethics focusses on the particulars of agents (e.g., character, motives, intentions) and actions (e.g., situation, community) (Ferrero & Sison, 2014). In virtue ethics, there is a connection between what the agent does and who the agent becomes as a result; it emphasises character development (Ferrero & Sison, 2014).

This study examines ethical culture, and specifically ethical virtues, in relation to organisational outcomes and, more specifically, organisational innovativeness. In this study, organisational innovativeness is defined as an organisation's capability and willingness to bring forward new ideas that might develop into innovations (Baregheh, Rowley & Sambrook, 2009; Lumpkin & Dess, 1996; Wang & Ahmed, 2004). In this research, organisational innovativeness is considered an organisational outcome related to an organisation's productivity and quality (Dyer & Reeves, 1995). As prior research has shown, organisational culture is related to organisational behaviour (e.g., Brown, 1992; Dobni, 2008; Erdogan, Liden & Kraimer, 2006; Giorgi, Lockwood & Glynn, 2015; Holtbrügge, Baron & Friedmann, 2015; Lemon & Sahota, 2004; Martins & Terblanche, 2003; Sarros, Cooper & Santora, 2008; Zheng, Yang & McLean, 2010). The research in this dissertation builds on the idea that organisational culture is related to the realisation of organisational outcomes, in particular organisational innovativeness. Innovativeness is crucial for many organisations as they aim to survive, compete and be successful in the market (e.g., Calantone, Cavusgil & Zhao, 2002; Salavou, 2004). Many organisations underline the value of innovativeness, but only few succeed in achieving it. Innovations are always linked to risk, which can be evaluated as a threat in an organisation, which, thus, might hinder its innovativeness (Ahmed, 1998).

In Finland, which is the societal context of this research, innovativeness is recognised as an important feature in organisations. Innovation and productivity is one of the main themes in the Finnish National Working Life Development

Strategy to 2020, which aims to improve working life in Finland and make it the best in Europe by 2020 (Ministry of Employment and the Economy (Finland) 2012). In the Global Innovation Index (Cornell University, INSEAD & WIPO 2015), Finland currently ranks 6th. Finland's National Innovation Strategy (Ministry of Employment and the Economy (Finland) 2009, 2012) stresses the importance of innovation policies and views Finland as a pioneer in innovation activities, which grow national productivity and competitive ability. Generally, organisational innovativeness is dependent on people who are willing to share and integrate their knowledge and expertise and are able to collaborate (Belbin, 1981; Roberts & Fushfeld, 1981; Van de Ven, 1986). Knowledge and know-how are current requisites for many organisations, and, thus, the role of knowledge-based organisations in the economy has increased. Knowledge-based and service organisations have become more important for Finnish society and the Finnish economy in recent years (Alasoini et al., 2014). Further, it has been proposed that knowledge-intensive organisations are the engine of Finnish innovation activities (Alasoini et al., 2014).

Previous studies have shown that ethical culture is positively correlated with organisational behaviour and different organisational outcomes such as organisational performance (Sinclair, 1993), organisational commitment (Treviño, Butterfield & McCabe, 1998), managers' occupational wellbeing (Huhtala et al., 2011) and commitment to organisational goals (Huhtala et al., 2013), employees' willingness to report wrongdoing in an organisation (Kaptein, 2011b) and less absences among employees due to sickness (Kangas et al., 2015). Innovation literature has also noted the importance of ethics. Prior research has noted the importance of official rules and ethical codes in innovation (Fassin, 2000), and the theoretical association between ethics and innovation has been discussed to some extent (Baucus et al., 2008; Schumacher & Wasieleski, 2013). For example, Schumacher and Wasieleski (2013) have argued that an organisation's innovation processes require ethical consideration in order to serve the organisation's long-term goals. As prior research indicates, there is a need for a deeper understanding of ethical culture and its link to organisational outcomes such as innovativeness.

This study contributes to research on the ethical culture of organisations (e.g., Kaptein 2008, 2009, 2010; Huhtala et al., 2011; Huhtala, 2013) by examining the relationship between an organisation's ethical culture and its innovativeness. First, this study contributes to current knowledge by investigating how these phenomena are related. Prior research has discussed the importance of organisational culture in innovativeness (e.g., Büschgens, Bausch & Balkin, 2013; Martins & Terblanche, 2003; Mumford, 2000; Mumford et al., 2002; Naranjo-Valencia, Jiménez-Jiménez & Sanz-Valle, 2011; Sarros, Cooper & Santora, 2008) and shown that organisational culture can either advance or impede a positive working environment and innovative atmosphere in an organisation (Anderson, Potocnik & Zhou, 2014; Hult, Hurley & Knight, 2004; Martins & Terblanche, 2003). Although ethics have been noted in the innovation literature, there is still little knowledge on the topic in an organisational context, and related empirical

research is scarce (Blok & Lemmens, 2015). For example, there is little research on what type of organisational culture enhances innovativeness and innovation in an organisation; this topic requires more research (Büschgens, Bausch & Balkin, 2013). Thus, there is a need to examine and annotate the relationship between an organisation's ethical culture and its innovativeness; this dissertation fills this research gap.

The second contribution of this research is to show whether there is a link between ethical virtues and organisational innovativeness. Organisational innovativeness has a special role in organisations that aim to innovate, and, therefore, it is important to acknowledge the meaning of this term and focus on its development (Wang & Ahmed, 2004). Organisations that actively seek new opportunities and nurture an open environment for new ideas and creativity feature the most important characteristics of innovativeness (Ahmed, 1998; Anderson, Potocnik & Zhou, 2014; Judge, Fryxell & Dooley, 1997; Martins & Terblanche, 2003; Westwood & Low, 2003). Prior research has identified an extensive list of features that either enhance or hinder innovativeness and innovation (Anderson, Potocnik & Zhou, 2014). For example, autonomy, challenges, encouragement, team support and leadership have been found as the main features of an innovative organisation. Also, information sharing, learning and participation opportunities and trust have been noted to promote innovativeness (Ellonen, Blomqvist & Puumalainen, 2008; Rebernik & Širec, 2007; Roffe, 1999; Scott & Bruce, 1994; Wang & Ahmed, 2004). Since many of these features are closely related to various ethical organisational virtues in the corporate ethical virtues (CEV) model such as supportability, feasibility and discussability (Kaptein, 2008), it seems worthwhile to examine their possible relationships.

Even though previous studies have highlighted the features of innovativeness, research has not analysed and discussed the nature and characteristics of these features (Anderson, Potocnik & Zhou, 2014). Therefore, the third contribution of this research is the study of innovativeness in the context and framework of virtue ethics, illuminating more variable and detailed information on this subject and deepening our understanding of those features that enhance organisational innovativeness. In this dissertation, both quantitative and qualitative data analyses have been used. The mixed methods approach provides a more comprehensive analysis of the research phenomena than a single-method study (e.g., Creswell & Plano Clark, 2011). Thus, one of the independent studies in this dissertation discusses techniques for mixed methods analysis and how they could be applied in research on organisational ethics and innovativeness.

This study also contributes to research on the ethical culture of organisations and organisational innovativeness by examining the validity of the multi-dimensional measures of corporate ethical virtues (CEV; Kaptein, 2008) and organisational innovativeness (OIN; Wang & Ahmed, 2004). As Huhtala (2013) has previously noted, the CEV measure offers a practical tool for organisations to assess their own ethicality. This measure can make ethics more visible in the organisation and therefore increase an organisation's members' consciousness of ethical values (Huhtala, 2013). Measuring the ethical level of an organisation-

al culture can provide a starting point for the organisation to develop its ethical conduct in the future. This dissertation provides a validated measure for evaluating organisational innovativeness in the Finnish organisational context. The OIN measure makes an organisation's innovativeness more visible and provides information on different dimensions of its innovativeness. This could also serve as a foundation for developing the organisation's innovative capabilities.

Finally, this dissertation broadens perspectives on ethical culture introduced in prior Finnish studies. Since previous studies of ethical culture in the Finnish context have either focussed on managers' perceptions of this concept (e.g., Huhtala et al., 2013) or studied the topic with a focus on only one sector (e.g., Kangas et al., 2015), this study examines the topic with regard to both private and public sector organisations, focussing in particular on specialist organisations. Because knowledge-based organisations play a crucial role in the Finnish economy (Alasoini et al., 2014), it seems important to study ethical culture in specialist organisations. In addition, empirical data has been collected from all organisational levels in different sectors, thus widening the context in which ethical culture is studied and eliciting versatile knowledge about ethical culture as an organisational phenomenon and increasing our understanding about the topic.

## **1.2 Organisational culture and ethics**

### **1.2.1 Organisational culture**

In recent decades, organisational culture has become an essential aspect or element in organisational life and management (Alvesson 2010). The concept of organisational culture has been noted and defined since the beginning of the 1980s (e.g., Deal & Kennedy, 1982; Hartnell, Ou & Kinicki, 2011; Ouchi, 1981; Pascale & Athos, 1982; Peters & Waterman, 1982; Schein, 1984). However, according to Sinclair (1993), some researchers had already established this concept in the 1960s and 1970s (e.g., Crozier, 1964; Pettigrew, 1979; Turner, 1972). The original idea of organisational culture came from anthropologists and sociologists who studied and defined the broader concept of culture (according to Hartnell, Ou & Kinicki, 2011: Geertz, 1973; Festinger 1957; Kelley 1972; according to Key, 1999: Kluckhohn, 1951; Schneider, Ehrhart & Macey, 2013). In 1979, Pettigrew combined views from sociology and anthropology to show that culture is an important organisational research topic and factor in organisational behaviour. Since the concept of organisational culture was found relevant to organisational life, several researchers have sought to define, develop and explain the idea, as well as how culture should be maintained, created and promoted in organisations (e.g., Hatch, 1993; Hartnell, Ou & Kinicki, 2011; Schein, 2010a; Trice & Beyer, 1991). Organisational culture has received a lot of attention because it is seen as a social characteristic that influences organisational, group and individual behaviour (Hartnell, Ou & Kinicki, 2011) and because it is



linked to organisational outcomes and effectiveness (e.g., Cameron & Quinn, 2006; Glisson, 2015; Gregory et al., 2009; Quinn, 1988; Schein, 1985).

There are many directions and levels of analysis related to organisational culture (see Giorgi, Lockwood & Glynn, 2015). Organisational culture can be understood as an umbrella concept for different views that define and examine cultural and symbolic phenomena and other aspects in organisations (Alvesson, 2010). In general, organisational culture is commonly understood as something that guides us to think and act in a certain way. It encompasses a variety of beliefs, norms, values, assumptions and practices that relate to how different people think and act in a group or organisation. Organisational culture is a collective phenomenon that combines an organisation's members, teams, work groups, units and the organisation as a whole (see Glisson, 2015; Hartnell, Ou & Kinicki, 2011; Schein, 2010a). It has been stated that culture is compositional; in other words, it has the same content and meaning at both the group and organisation level (Hartnell, Ou & Kinicki, 2011; Glisson & James, 2002).

Organisational culture, which consists of shared assumptions and values, has been distinguished from the organisational climate, which focusses on shared perceptions in the organisation (Victor & Cullen, 1988). The difference between these concepts has been debated, and these two terms have been differentially defined as separate (e.g., Schein, 1990), overlapping (e.g., Denison, 1996) and reciprocal (e.g., Schneider, 2000) concepts (Glisson & James, 2002). It has been argued that these terms should be regarded as different approaches to the same topic rather than as different topics of study (e.g., Denison, 1996; Schein, 2010b). According to Schein (2010b, p. xiii), organisational culture and climate should both be viewed as abstractions that provide a valuable perspective in examining human behaviour in complex systems. Schein (2010b) emphasises the importance of perspective in both organisational culture and organisational climate; instead of generalisations the focus is on shared ideas and behaviours in an organisation. In this study, organisational culture is defined as having an effect on how employees interact and work with each other. In addition, it affects different processes and practices in the organisation. Thus, organisational culture can have more power in the organisation than official rules and guidelines because it directs the actions of employees (Schein, 1985).

In general, there are two main perspectives on how to define and discuss the concept of organisational culture. On the one hand, it is conceptualized as shared beliefs, values and norms that are measurable and manageable and linked to actions. On the other hand, it is regarded as a system of negotiated symbols, shared and learnt meanings and understandings, which are constructed through language and social interaction (Alvesson, 2010, p. 14). The first perspective defines culture as a feature or a dimension of an organisation that can be managed or something the organisation "has" (e.g., Smircich, 1983). For example, strategies, systems, organisational structures or management of the organisation could be part of this definition. In this view, organisational culture is one feature of an organisation that affects all of its members. In this approach, culture is something that can be interpreted, explained and also controlled. It is

possible to see culture as one factor in the profitability, productivity and success of the organisation. This view emphasises the assessable and managerially relevant aspects of organisational culture (Alvesson, 2010; Martin 2002). Second, organisational culture can be viewed as a metaphor, something that the organisation “*is*”. This perspective does not define organisational culture as something that the organisation owns but as a more comprehensive aspect of organisational life. This view emphasises meanings and constructions that are shared between the organisation’s members. (E.g., Smircich, 1983.) This view defines culture as “a system of common symbols and meanings, not the totality of a group’s way of life” (Alvesson, 2010, p. 14). Even if the two perspectives on organisational culture seem to define and emphasise the phenomenon from different viewpoints, there is a common understanding that organisational culture exists and that it is important (Schein, 1985; Sinclair, 1993).

In this study, I apply the former definition of organisational culture, defining it as a set of basic assumptions and shared meanings that have been created and developed in an organisation through both external and internal processes (e.g., Schein, 1990). Organisational culture is a combination of formal structures, systems and organisational practices and informal, implicit, taken-for-granted values, norms, assumptions and behavioural systems that might occur instinctively (e.g., Schein, 1990; Treviño, Butterfield & McCabe, 1998). In this definition, culture is a dynamic phenomenon, something that happens here and now. It is a binding background structure that controls people in different ways (Schein, 1985, 2010a). Following this rationale, the formal element of ethical organisational culture is constituted by ethics management systems with specific management tools such as ethical codes, ethics training, ethics committees, ethical auditing and leadership and human resource management practices (e.g., Archivili, Mitchell & Jondle, 2009; Crane & Matten, 2007; Treviño & Weaver, 2003). The informal elements include values, assumptions, beliefs, behavioural norms, role models and stories that are ethically loaded (Huhtala et al., 2013; Kaptein, 2010; Treviño, Butterfield & McCabe, 1998).

Research on types of organisational cultures (see Ashkanasy, Wilderom & Peterson, 2000) has been interested in the content of an organisational culture, how it is associated with organisational effectiveness (Denison & Mishra, 1995; Hartnell, Ou & Kinicki, 2011; Hofstede et al., 1990; Wilkins & Ouchi, 1983) and how it can promote an organisation’s sustainable competitive advantage (Barney, 1986). Although there has been much empirical research on the culture-effectiveness relationship, there is still not a uniform understanding of the topic (Hartnell, Ou & Kinicki, 2011). It has been suggested that the culture-effectiveness link should be defined more effectively from a theoretical viewpoint and that more empirical evidence should be shown (Hartnell, Ou & Kinicki, 2011; Wilderom, Glunk & Maslowski, 2000). For example, Brown (1992) has suggested that organisational culture is a powerful element for improving performance and a crucial factor in organisational development and effective leadership. Further, it has been noted that organisational culture can guide ethical and unethical actions and behaviour in an organisation (Key, 1999). More

democratic cultures have been found to be associated with increased ethical behaviour and consent to take individual responsibility (Key, 1999). Thus, it is important to understand the type of organisational culture, its ethical values and its effects on the whole organisation.

Because organisational culture is one of the core concepts in this study, it is also relevant to raise the question of *how* organisational culture should be studied. The most suitable method for studying organisational culture is dependent on the researcher's viewpoint on organisational culture, its levels and contents (Hofstede, 1998). Cameron and Quinn (2006, p. 148) have introduced three different strategies for analysing cultures: 1) a holistic approach, 2) a metaphorical or language approach and 3) a quantitative approach. Following a holistic approach, research is conducted within an organisation (e.g., participant observation), and the researcher aims to become a part of the organisational community. The second approach focusses on analysing culture through language, and both written and spoken material (e.g., documents, reports, stories, conversations) can be used in the analysis. The third approach assesses culture and its dimensions using questionnaires or interviews. The quantitative approach is useful for studying culture when the focus of the research is on the attributes of organisational culture (Cameron & Quinn, 2006.). In this study, both quantitative and language approaches, using questionnaires and interview-based empirical data, were used to gain versatile and rich information about the topic.

### 1.2.2 Virtues in organisations

The definition of ethical culture in an organisational context derives from *virtue ethics*, originally from ancient Greek philosophers Plato and Aristotle (2001). Virtue ethics is generally considered one of the "top three" ethical theories along with consequential and deontological ethics (Ferrero & Sison, 2014). In the field of business ethics, virtue theory offers an alternative prospect to ethical issues compared with traditional Western consequentialist and non-consequentialist or deontological ethical theories (Crane & Matten, 2007). *Consequential or teleological theories* pay attention to the outcomes, the aims or the goals of a certain action: if the outcomes are preferable, then the action is morally right. On the other hand, *deontological theories* focus on the morality of underlying principles or duties: an action is right if the principles are morally right. Compared to these two classical theories, virtue ethics pays more attention to the character and integrity of a *decision-maker* rather than specific actions. (Crane & Matten, 2007; see also Gotsis & Grimani 2015.) It focusses mainly on the intentions, characteristics, qualities, attitudes and dispositions of agents and specifically on who the agents (e.g., individuals, groups, organisations, larger communities) are (Kaptein, 2010, p. 602).

Robert Solomon (1992a, 1992b, 1999) applied virtue ethics to the field of business ethics. Rego, Cunha and Clegg (2012, p. 2) suggest that virtues are still important in business ethics and among leaders, even though many academics and practitioners find virtues challenging to analyse in the business world. Vir-

tues were not considered in the business context and academia until 30 years ago, around the same time that organisational culture became an area of focus. Virtue ethics was not a common approach to business ethics before 1992, when Robert Solomon's article on an Aristotelian approach to business ethics was published (Ferrero & Sison, 2014). Solomon (1992a) emphasised the meaning and importance of people and individuals as humans in the business world. His main idea was that there is no business without people and that the integrity of a business is dependent on the integrity of the people working in that business (Solomon, 1992a, 2004). Solomon's Aristotelian approach to business ethics underscored the importance of individuals and their virtues, i.e., characteristics, as a part of a certain community or organisation. One of Solomon's main ideas was to put people ahead of profits (Solomon, 1992a, 2000, 2004).

According to Ferrero and Sison (2014), there are a number of schools that use a virtue approach to business ethics. The Aristotelian school, followed by Solomon (1992a), is the most well-known and emphasises concepts such as *eudaimonia*, or practical wisdom and flourishing, in addition to virtue. In this approach, virtues denote certain traits or characteristics that together with certain situational and contextual factors are needed to achieve the flourishing and common good of the community (Ferrero & Sison, 2014).

From the viewpoint of this study, what is particular about Solomon's Aristotelian approach is that instead of discussing the role of individual virtues and characteristics in business, he, together with Hartman (1994, 1996) and Moore (2005a, 2005b), commented on how virtues should be understood as relational, social and organisational phenomena. The core idea was to see people first as a part of a larger society, community or organisation that affects individuals' moral identity and agency. From this viewpoint, virtues could be understood as the positive traits and dispositions of individuals, groups and organisations, which are all moral agents and ethically responsible for actions and behaviour. (Ferrero & Sison, 2014.)

In organisational and business research, virtue ethics has been mainly discussed in theoretical and philosophical studies until the beginning of the 2000s. Empirical and, particularly, quantitative studies about virtue ethics in business were most popular during 2010-2011 (Ferrero & Sison, 2014). Ferrero and Sison (2014) note that this could be related to the notion of positive social perspectives and new methods such as quantitative analyses that were brought from psychology to the business ethics field. This began a new era of virtue ethics studies in organisational research and offered more evidence-based studies with practical applications for business ethicists and business practitioners (Ferrero & Sison, 2014).

Even though virtue ethics has a well-established and formal status as one of the major schools of ethics, it is not often used in business and management literature (Ferrero & Sison, 2014). What is unique about virtue ethics in business is its integrative mode; it combines the best parts of deontology, by committing to universal principles, and utilitarianism, by considering outcomes. However, unlike deontology it pays attention to special features such as motives, charac-

ter, the relationships between agents and actions (e.g., environment, context) (Ferrero & Sison, 2014). Virtue ethics does not separate the agent's actions from who the agent becomes but rather sees the development of virtues and character as an important element that provides a dynamic context for both utilitarian and deontological views. Thus, virtue ethics provides a versatile, integrated and multifaceted framework for normatively evaluating organisational ethics. (Ferrero & Sison, 2014.)

The concept of ethical organisational culture draws from the virtue-based theory of business ethics (Solomon, 1992a, 2004), and it is defined as constituting organisational virtues (Kaptein, 2008). These virtues have a special role in an organisation because they influence the behaviour of employees and can be changed by the organisation (Kaptein, 2009), although organisational culture and its elements are not easy to change (Schein, 2010a).

The idea of *excellence* is central to the Aristotelian approach and refers to an ideal way of acting, being, thinking and doing. In this approach, organisational practices involved with ethics are considered crucial because they represent cooperation, mutually shared aims and goals, as well as ways of acting (Solomon, 1999). As part of a virtuous organisation, its members formulate and cultivate different virtuous characteristics by fulfilling their responsibilities and contributing to the common good (Solomon, 2004).

According to Collier (1998), organisational ethicality is located in the interaction between being, doing and becoming. Virtuous action is based on the capacity for moral judgement and perceptions of the moral good; thus, virtuous actions develop individual and organisational capacity to act virtuously (Collier 1998). In a virtue-based approach, actors are not seen as separate from the social environment and specific circumstances we live in. Therefore, all types of communities, including the organisations we belong to, play a particular role in this approach. Because organisations have a great impact on the behaviour of individuals, it is essential that ethicality is present in organisational practices and processes so that the organisation is able to flourish and achieve its potential (Collier, 1998).

Although the Aristotelian virtue-based approach emphasises an organisation's role in ethicality, it is important to note that both ethical structures such as organisational characteristics and culture and ethical individuals are needed (Whetstone, 2005). Being virtuous assumes that the individual, organisation or other moral agent holds moral excellence and, on the other hand, has a scarcity of vices (Whetstone, 2005). The Aristotelian approach sees virtues (*arête* or *excellence*) as means: they always belong in the middle as opposed to the extremes of vice, excess and deficiency (e.g., courage is seen as a virtue in the golden mean between cowardice and recklessness; temperance is a virtue, but gluttony and prudishness are not) (Solomon, 1999; Kaptein, 2015). In Aristotelian ethics, being virtuous is not the same as acting virtuously. Virtuousness requires virtuous acts, as well as knowledge that one is acting virtuously, the intent to act in a virtuous way for its own sake and certainty and firmness in the act (Aristotle, 2001).

Solomon's (2004) Aristotelian and virtue-based approach to business ethics emphasises the idea that individuals are not separate from the organised groups they belong to, and, therefore, the organisation one works for becomes one's close community with defined and shared values. Individual virtues and integrity are important, but organisational practices and policies can support good and virtuous behaviour (Solomon, 2004). Solomon (1999, p. 32) puts emphasis on practices, "shared cooperative activity with mutually understood goals and ways of doing things", and especially on the ethical excellence of those practices. Thus, from the virtue-based view, organisational practices have an essential role in supporting, maintaining and developing organisational ethics through ethical virtues.

Solomon's virtue-based theory for business ethics is essential to the concept of an organisation's ethical culture. Kaptein (1998, 2008) applied this theory to the organisational context, paying special attention to the view that not only individuals but also organisations have these excellences or virtues that promote ethical actions. Baucus and Beck-Dudley (2005) and Whetstone (2005) also call for organisational and managerial support for employees to engage in and demonstrate ethical virtues in their everyday organisational practices. Organisational support for ethical behaviour can help individuals develop their personal ethicality, which, in turn, creates an ethical organisational community. According to Kaptein (1998), the virtuousness of an organisation can be defined as how the organisational culture supports the ethical behaviour of employees, as well as how it prevents employees from committing unethical acts (cf. Treviño, 1990).

### 1.2.3 Ethics in organisations

Ethics in organisations can be viewed as a set of principles of right and wrong that guide the activities of an organisation's members (Sinclair, 1993). Broadly, ethics in organisations refers to the organisation's overall view of business ethics, including ethical values, ethical management and leadership practices, ethical initiatives and support for ethical behaviour in the organisation (see Huhtala et al., 2013; Sims, 1991; Treviño, Butterfield & McCabe, 1998; Valentine & Barnett, 2007). The discussion of ethics in an organisational context has focussed on two concepts: ethical climate (Victor & Cullen, 1988) and ethical culture (Collier, 1998; Kaptein, 2008; Treviño, 1986, 1990; Treviño & Weaver, 2003). Victor and Cullen (1988) began the discussion of ethical aspects in organisations with their work on ethical work climates, which is based on the concept of the organisational climate and focusses on shared perceptions within an organisation (Key, 1999). According to their well-known and widely cited definition, an ethical climate consists of "those aspects of work climate that determine what constitutes ethical behavior at work" (Victor & Cullen, 1988, p. 101). Their multi-dimensional ethical climate model is also well-known and widely used (see Kaptein, 2011b). However, even if their model succeeds in describing organisational ethical systems, it does not provide a rubric for how ethical an organisation's practices are (Key, 1999).

In the field of organisational ethics, ethical climate has been defined as distinct from ethical culture (Treviño & Weaver, 2003). The main difference between these terms is related to the level of analysis. Ethical organisational climate relates to individuals' perceptions and feelings about organisational practices and policies, whereas ethical culture relates to what the organisation ultimately is about (Rentsch, 1990). Therefore, ethical climate can be described as an element of the ethical culture (Collier, 1998).

This dissertation examines the ethical culture of an organisation, which was first defined by Treviño (1986) as an organisation's normative structure of appropriate behaviour, including referent others, obedience to authority and responsibility for consequences. A few years later, this concept was complemented by the idea that ethical culture consists of both an organisation's formal systems (e.g., ethical codes, value statements, leadership, hierarchy, rewards, human resource practices) and informal procedures (e.g., role models, collegial behaviour, ethical norms, traditions, rituals, language) that either promote or hinder the ethical behaviour of employees (Treviño, 1990, see also Ardichvili, Mitchell & Jondle, 2009; Treviño & Weaver, 2003). Treviño (1986, 1990) linked ethical culture with individual behaviour and ethical decision-making in organisations. This conception was later complemented with a model of ethical culture (Treviño, Butterfield & McCabe, 1998). In their model, Treviño et al. (1998) separated ethical culture from the ethical climate construct, developed a measurement for ethical culture and noted that ethical culture consists of multiple dimensions. It has been suggested that ethical culture can influence individuals' cognitive processes, guide ethical decision-making in the organisation, and provide an instrument to measure and evaluate the ethicality of the organisation (Key, 1999). Individual employees' experiences, assumptions, expectations and knowledge of the organisation's ethical conduct are also included in the concept of ethical culture (Treviño & Weaver, 2003). In sum, ethical culture consists of shared values, norms, and beliefs about ethical behaviour in the organisation.

The difference between ethical climate and culture has been discussed both theoretically and empirically. Kaptein (2008, 2011b) has discussed the theoretical difference between these concepts: ethical climate refers to the *substantive* ethical environment such as the content of ethical and unethical behaviour, whereas ethical culture is more concerned with the *procedural* ethical environment such as the conditions for ethical and unethical behaviour (cf. Heugens, Kaptein & van Oosterhout, 2006). In addition, empirical studies have shown the difference between these concepts; ethical climate and ethical culture have both been linked with behaviour, but ethical culture is more strongly associated with action because it includes organisational elements that influence behaviour, whereas climate relates to attitudes (Kaptein, 2011b, Treviño, Butterfield & McCabe, 1998). It has also been noted that ethical climate and culture are correlated with each other (Kaptein, 2011b; Treviño, Butterfield & McCabe, 1998); an organisation with an ethical culture, represented by ethical leaders who support ethical conduct most likely also values its employees and working

climate (Treviño & Weaver, 2003). As these results show, ethical climate and culture can be viewed as related but separate constructs.

There are two approaches for promoting ethical culture in organisations (Sinclair, 1993). The first emphasises a unitary organisational culture based on ethical values that can and should be actively managed by an organisation's management through information, reward and selection systems, structures, rituals and organisational ceremonies that institutionalise shared values (Sinclair, 1993). The second approach supports the idea of different subcultures in an organisation (e.g., professional and occupational), which cannot and should not be managed by the organisation's management but rather should be understood by management as a collaborative means to combine different, competing and common subcultural values to increase the ethical behaviour of individuals in the organisation (Sinclair, 1993).

The unitary approach assumes that organisational moral conscience can be maintained and developed rationally through explained decision-making processes and managerial agreements. The risk in this approach is that ethics and ethical decisions stay only at the managerial level and do not actually spread to the level of daily operations or that the ethical values are not really internalised by employees (Sinclair, 1993). The subculture approach expects managers to support various cultures that can share and negotiate different ethical values and thus develop the ethicality of the organisation (Sinclair, 1993). The risk in this approach is that management falls outside of these ongoing discussions and debates and that the organisation fails to form a common understanding of ethical values in the organisation (Sinclair, 1993). In this dissertation, ethical organisational culture is viewed from a normative, unitary approach, which emphasises the cohesiveness of ethical culture. The Corporate Ethical Virtues (CEV) model (Kaptein, 2008) is used to examine organisational ethical values and practices.

Kaptein's (2008) CEV model was the first multidimensional and normative model for evaluating and measuring the ethical culture of an organisation, although some narrower attempts at measuring ethical organisational culture were undertaken earlier (Hunt, Wood & Chonko, 1989; Key, 1999; Treviño, Butterfield & McCabe, 1998). In Kaptein's model, an organisation's virtuousness is determined by the extent to which its culture stimulates its members to act ethically (Kaptein, 2008; Kaptein, 2010). This definition is supported by the general definition of ethical culture (Treviño, 1990). The CEV model consists of eight virtues that form the dimensions of ethical organisational culture (Kaptein, 2008): clarity, congruency of supervisors, congruency of management, feasibility, supportability, transparency, discussability and sanctionability. According to Kaptein (2010), the ethicality of an organisation can be evaluated by measuring the organisation's members' perceptions regarding the presence of these virtues within their organisation; higher evaluations of these virtues denote a more ethical organisational culture. According to Kaptein (2008, p. 924), the first three virtues "relate to the self-regulating capacity of the organisation, the next



two virtues to the self-providing capacity of the organisation, and the last three virtues to the self-correcting or self-cleansing capacity of the organisation”.

The CEV model is based on the Aristotelian approach and the virtue-based theory of business ethics (Solomon, 2000, 2004). As discussed in the previous section, according to the virtue-based theory of business ethics, organisations should have certain characteristics, i.e., virtues, which identify them as ethical. These ethical virtues provide the conditions for the ethical behaviour of the organisation’s members (Kaptein, 2008). In the CEV model, virtues are brought into the organisational context; it is not only individuals who have positive characteristics and behave ethically, organisations can also have these virtues, which promote ethical conduct (Kaptein, 2008). Previous literature has noted that organisations should be considered, designed and developed as ethical communities that can support their members to engage in ethical behaviour and responsible decision-making on a day-to-day basis in order to foster the overall ethicality of the organisation (e.g., Baucus & Beck-Dudley, 2005; Whetstone, 2005). The virtues in the CEV model follow the Aristotelian doctrine of the mean in virtue ethics; each of the virtues is a mean between two vices: excess and deficiency (Kaptein, 2015).

The first virtue in the CEV model is clarity, which refers to the comprehensiveness, concreteness and legitimacy of official expectations (e.g., values, norms, guidelines) concerning employees’ ethical behaviour (Kaptein, 2008). Previous research has noted that there are specific ethical issues related to organisations and businesses that are not encountered in other social settings (Crane & Matten, 2007; Kaptein, 2008; Velasquez, 2002). It is not evident that individual moral insights are sufficient for employees to resolve whether conduct is ethical or unethical (Kaptein, 2008). Kaptein (1998) argues that the more individuals are responsible for their own moral consideration and intuition without clear rules concerning ethical behaviour in the organisation, the higher the risk that they will behave unethically. Bird and Waters (1989), Jackson (2000) and Tyler and Blader (2005) have also noted that unclear expectations about ethical behaviour is one of the main causes of unethical behaviour in an organisation. Another risk of ambiguous and vague ethical expectations is that employees may hide behind the ignorance of their unethical conduct, which provides a ground for excuses and rationalizations (Bovens 1998). Therefore, it is important that the organisation defines ethical and unethical behaviour and is clear about the ethical standards employees are expected to sustain (Kaptein, 2008).

The second and third virtues refer to the congruency and ethical behaviour of supervisors and management. Supervisors’ and managers’ ethical behaviour and role modelling are viewed as important sources of normativity in an organisation (Ciulla, 2004; Schein, 1985; Treviño, Hartman & Brown, 2000). If supervisors’ and managers’ own conduct is not in line with the formal requirements of the organisation, there is a risk that employees perceive these signals as incongruent and inconsistent and do not see the organisation’s expectations as valuable and worthy of respect. When an organisation lacks the congruency

of supervisors and managers, it takes on a form of subversiveness. On the other hand, an excess of congruency promotes the vice of pompousness. (Kaptein, 2015.) However, if leaders and managers follow clear ethical expectations, employees are able to comply with them (Kaptein, 2008). Congruency is also related to the value of integrity, which has been defined as one of the main virtues of business ethics (Solomon, 1992a). In sum, the virtue of congruency refers to supervisors' and managers' visible actions in accordance with normative expectations in an organisation (Kaptein, 2008).

The fourth virtue is feasibility, which includes resources such as time, money, supplies, tools and information that an organisation provides for its employees in order to fulfil their responsibilities (Kaptein, 2008). If employees do not have the opportunity to meet the normative expectations of ethical behaviour, there is a risk that unethical behaviour will increase. Having too few resources to support ethical behaviour exemplifies the vice of scantiness (Kaptein, 2015). For example, time pressure might decrease employees' interest in other members of the organisation and attention to proper expectations when compared to those who have sufficient time (Treviño, 1986). In addition, targets that are too high provoke unethical behaviour (Schweitzer, Ordóñez & Douma, 2004), allowing the virtue of feasibility to turn into the vice of lavishness (Kaptein, 2015). Therefore, Kaptein (2008) concludes that it is important that requirements for employee responsibilities are reasonable and viable.

Supportability is the fifth virtue and refers to the extent to which an organisation encourages its employees to fulfil normative expectations (Kaptein, 2008). The virtue of supportability is situated between the vices of animosity and zealotry (Kaptein, 2015). Previous research has found that a lack of motivation and satisfaction increases unethical behaviour in organisations (Hollinger & Clark, 1982; Kaptein, 1998, 2008; Skarlicki, Folger & Tesluk, 1999). Dismissive and unfair treatment of employees might drive employees to cause damage to the organisation. Furthermore, uncertainty, mistrust and an unfriendly working atmosphere impede the possibilities for following an organisation's ethical standards (Kaptein, 2008). Identification with organisational values is positively related to employee motivation to comply with the normative ethical expectations of an organisation (Tyler & Blader, 2005). In sum, it is important for an organisation to encourage employees to identify and engage with its official expectations and to behave ethically, and the organisational virtue facilitating this element of ethical organisational culture is supportability. Supportability includes an individual's identification with, involvement in and commitment to the normative expectations of an organisation and the extent to which the organisation encourages this compliance (Kaptein, 2008).

The sixth virtue, transparency, is related to employees' awareness of the consequences of all actions of the organisation's members (Kaptein, 2008), and it is the mean of the vices of opaqueness and overexposure (Kaptein, 2015). Visibility of organisational practices and their consequences is important so that employees know their responsibilities and can be held responsible for their actions (Bovens, 1998). If employees do not know or are not able to understand

the consequences and seriousness of their behaviour, they might not pay attention the consequences of their actions (Bovens, 1998). On the other hand, low visibility and transparency might increase unethical behaviour. Previous studies have noted that transparency is not only important for exposing unethical behaviour but also for preventing the potential for unethical actions because it increases the possibility of getting caught (e.g., McCabe, Treviño & Butterfield, 1996). It has also been noted that collegial feedback and communication have positive influences on ethical decision-making and ethical conduct, as collegial support does not support misunderstandings and dishonesty (Zey-Ferrell & Ferrell, 1982). According to Kaptein (2008, p. 926), “transparency is defined as the degree to which employee conduct and its consequences are perceptible to those who can act upon it, that is colleagues, supervisors, subordinates, and the employee(s) concerned”. In other words, transparency helps employees understand what ethical behaviour is expected of them and helps them to take responsibility for their actions. In the CEV model, this virtue is divided into two components: the vertical component, which refers to how managers are able to observe employees’ ethical and unethical behaviour and their consequences and vice versa (top-down and bottom-up), and the horizontal component, which refers to opportunities for employees to observe ethical and unethical behaviour and their consequences amongst themselves (Kaptein, 2008).

The seventh virtue is discussability, which can be viewed as a mean between muteness and talkativeness (Kaptein, 2015). In addition to visible ethical standards and expectations, an ethical organisation provides a safe environment to talk about ethical topics in the workplace. An organisational culture that does not promote possibilities to discuss, debate and present critique increases unethical behaviour and allows employees to be apathetic and ignore things they do not want to see (Kaptein, 2008). If employees are not allowed to share, analyse and discuss their experiences, an organisation loses the opportunity to mutually share and learn from mistakes, infractions and dilemmas (Kaptein, 2008). Avoidance of moral discussions also supports the development of an amoral organisational culture (Bird & Waters 1989). Limited or absent discussability (or muteness) (cf. Kaptein, 2015) undermines the importance of addressing ethical topics and thus increases moral stress and the diminishing of the moral authority of normative expectations. On the other hand, in an organisation with high discussability, all kinds of topics (e.g., lack of clarity to meet normative expectations, moral dilemmas, unethical behaviour perceived by colleagues) can be openly discussed. However, if there is an excess of discussability, the vice of talkativeness occurs (Kaptein, 2015). Kaptein (2008) concludes that if employees are allowed and expected to report and share perceived misbehaviour, the work environment should be perceived as a safe place where ethical topics can be discussed without fear of persecution.

The final virtue is sanctionability, which refers to the enforcement of ethical behaviour (Kaptein, 2015), or rather the punishments meted out for unethical behaviour and the rewards given for ethical behaviour. According to Kaptein (2008), unethical behaviour should not be accepted in any form as it

may increase the acceptance of such behaviour. Also, a lack of sanctions for unethical behaviour undermines the effectiveness of ethical norms, and, on the other hand, a lack of recognition for ethical behaviour reduces employees' motivation to act ethically (Kaptein 2008). The lack of enforcement of ethical behaviour refers to the vice of laxity, whereas an excess of enforcement leads to oppression (Kaptein 2015). Preliminary empirical research suggests that if ethical behaviour is rewarded, people commit fewer violations (Román & Munuera, 2005). In sum, sanctionability includes punishments for unethical behaviour and rewards for ethical behaviour. An organisation's ethical culture is defined as virtuous if the culture has an explicit ethical element. These eight virtues foster the importance of integrity when developing, creating and maintaining an ethical organisational culture.

The validity and reliability of the CEV model has been tested empirically in different contexts. Kaptein (2008) first empirically tested the CEV model within the Dutch context and validated the measurement with 58 items using exploratory and confirmatory factor analyses and multivariate analyses. The CEV model is the first multidimensional model for measuring and evaluating ethical organisational culture, and it provides a validated, comprehensive, normative measurement for evaluating and understanding ethical culture in organisations (De Bode et al., 2013; Huhtala et al., 2011; Kangas et al., 2014, 2015; Kaptein, 2008). Subsequently, ethical organisational culture using the CEV scale has also been studied in the Netherlands and the US (Kaptein, 2009, 2010, 2011a, 2011b), Finland (e.g., Huhtala et al., 2011; Kangas et al., 2014, 2015), Lithuania (Novelskaite, 2014; Novelskaite & Pucetaite, 2014) and China (Nie, 2016). A shorter version of the original CEV scale has also been tested (De Bode et al., 2013). As these recent empirical studies show, there is an increasing interest and need to investigate the ethicality of organisations and, more specifically, organisations' ethical cultures.

#### **1.2.4 Previous studies on ethical organisational culture and organisational outcomes**

Interest in ethical organisational culture and its connections to different organisational outcomes (e.g., effectiveness, organisational trust, commitment, ethics management, occupational well-being) and individual outcomes (e.g., ethical decision-making, individual values, attitudes and behaviour) has increased during last decade (see Huhtala 2013, p. 26-30). As Huhtala (2013) discusses, ethical culture is still a fairly new but fast spreading research topic. Ethical culture has been studied with various analytical techniques at different organisational levels (e.g., Huhtala, et al. 2015) using both cross-sectional and longitudinal data from single and multiple sources (e.g., Kaptein, 2011b). However, these studies have been mainly quantitative; qualitative research on the topic is still scarce, and more versatile research provides both a broader and deeper understanding of the phenomenon.

Previous studies on ethical organisational culture have discussed the importance of ethics in positive organisational behaviour (e.g., Huhtala et al., 2011;

2013, 2015; Kaptein, 2009, 2010, 2011b; Sinclair, 1993; Treviño, 1990; Treviño, Butterfield & McCabe, 1998). For example, previous empirical studies show that ethical organisational culture is positively related to ethical behaviour and organisational commitment (Treviño, Butterfield & McCabe, 1998); it promotes managers' occupational well-being (Huhtala et al., 2011) and a commitment to organisational goals (Huhtala et al., 2013), as well as employees' willingness to report wrongdoings in the organisation (Kaptein, 2011b). Since the ethical culture of organisations has been found to be positively related to different organisational outcomes, interest in the topic has increased.

In the Finnish context, scholars have extensively studied ethical organisational culture in the context of occupational wellbeing (Huhtala et al., 2011; Huhtala et al., 2013; Huhtala, 2013; Huhtala et al., 2015; Kangas et al., 2015; Pihlajasaari et al., 2014; Pihlajasaari et al., 2013). They have tested the validity of the CEV scale for measuring ethical culture in Finnish organisations (Huhtala et al., 2011; Huhtala, 2013; Kangas et al., 2014) and examined the collective characteristics of ethical culture (Huhtala et al., 2015). However, these studies have mainly examined the relationship between ethical culture and different psychological outcomes (Huhtala et al., 2011), ethical strain (Pihlajasaari et al., 2013), turnover intentions (Pihlajasaari et al., 2014), and absences due to sickness (Kangas et al., 2015). In addition, previous studies have mainly focussed on the managerial level. This study widens the scope of research on ethical culture and organisational outcomes by investigating ethical organisational culture and organisational innovativeness among Finnish specialist organisations and among different organisational levels.

Previous studies show that, in general, members of Finnish organisations have positively evaluated their organisations' ethical cultures (Huhtala et al., 2013; Pihlajasaari et al., 2013), although there are slight differences among sectors and organisational levels. For example, Pihlajasaari et al. (2013) found that in a banking organisation, evaluations of ethical culture received higher scores than in public administration or engineering organisations. This result is also supported by the study results of Kangas et al. (2010), who noted that Finnish banking sector managers evaluate their organisation's ethical culture higher than managers in public administration or industrial sector organisations. Amongst the individual ethical virtues, clarity has received the highest ratings in most of the studies conducted in Finland, whereas the lowest evaluations have been somewhat more diverse. For example, Huhtala (2013) found that Finnish managers evaluated supportability as the lowest and public sector organisation respondents rated transparency as the lowest virtue. Prior research shows that ethical culture is generally quite positively evaluated in the Finnish context. However, the differences in the evaluations of individual organisational virtues show that there is still a need for further research focusing in particular on the perceptions of different ethical organisational virtues.

In general, ethics in Finnish organisations have been evaluated in Finnish corporate culture surveys (Keskuskauppakamari, 2009; TNS Gallup, 2014). The results refer to the organisational context in 2008 and 2014. During 2008, Fin-

land was in an economic recession that also impacted the results of surveys conducted in 2010 and 2011. The Finnish corporate culture survey from 2008 shows that corporate responsibility was generally seen as a possible advantage in business, for example, in promoting customer loyalty and in improving reputation and profitability. Responsibility was also seen as a positive antecedent for motivating and recruiting employees, along with improving competitiveness and the quality of products and services. According to the 2008 survey, values were evaluated as an important element in an organisation and its culture, and voluntary ethical principles and ethical codes had become more widely acknowledged in organisations, although employees were somewhat critical about how well these guidelines were actually followed. Overall, ethical values were seen to lead to several positive outcomes and were evaluated as an important part of organisations and their general cultures.

The 2014 survey on responsibility in Finnish business organisations (TNS Gallup 2014) showed that, similar to the 2008 survey, responsibility was determined to be an important value in Finnish organisations. Reputation and customer satisfaction in particular were seen to be related to how responsible an organisation is. Environment was viewed as the most important theme in ethics and responsibility in Finnish organisations; ethical practices, workplace processes and fair and equal treatment of employees were second. In general, it seems that themes related to ethics and responsibility have received increased attention in discussions in Finnish public administration and private businesses over the last decade. Therefore it seems unsurprising that organisations emphasise the role of responsibility and ethics in their values, mission statements and strategic declarations (Lämsä & Viljanen, 2014).

### **1.3 Organisational innovativeness**

#### **1.3.1 Innovation and innovativeness**

Innovation and innovativeness have been perceived as critical factors for the effectiveness of organisations and even their survival (e.g., Anderson, Potocnik & Zhou, 2014; Calantone, Cavusgil & Zhao, 2002; Damanpour & Schneider, 2006; Salavou, 2004). In general, innovation has been studied in many different contexts and disciplines and has been defined from various perspectives (Damanpour & Schneider, 2006). It is typically defined as the creation, development and/or adoption of new ideas or behaviour (e.g., Amabile et al., 1996; Damanpour, 1991; Schumpeter, 1934), although newness as a quality of innovation is always related to the level of analysis and can be studied, for example, at the individual, organisational or industrial level (Damanpour & Schneider, 2006). Because innovation can refer to a new product, service, process, system, plan or programme, it can occur in all types of organisations and their operations (Damanpour, 1991).

The concepts of innovation and innovativeness are typically either differentiated or used as synonyms (Damanpour, 1991). It has been suggested that innovation is more subjective because it refers to the adoption and implementation of new ideas, whereas innovativeness better describes an organisation's tendency towards innovation (Salavou, 2004). According to Lumpkin and Dess (1996, p. 142), organisational innovativeness refers to an organisation's "tendency to engage in and support new ideas, novelty, experimentation, and creative processes that may result in new products, services, or technological processes". In other words, innovativeness is a crucial factor in producing innovation, but the presence of innovativeness in an organisation does not necessarily lead to new innovations. Organisational innovativeness is closely linked to an organisation's objective of success because ideas are developed into new and/or improved products, services or processes (Baregheh, Rowley & Sambrook, 2009). Innovativeness requires people, who are able to collaborate, share and integrate their knowledge and expertise (Belbin, 1981; Roberts & Fusfeld, 1981; Van de Ven, 1986). Individual creativity is one of the core elements for innovativeness (Amabile et al., 1996).

According to Anderson et al. (2014, p. 1298), creativity and innovation in a work context refer to the processes, outcomes and products of experiments to develop novel ways of doing things. Anderson et al. (2014) note that because creativity and innovation are fundamental components of the same process, where creativity focusses typically on idea generation and innovation on idea implementation, a more integrative definition and understanding of the phenomenon should be applied in research. Both creativity and innovation can occur at different organisational levels (individual, team, organisation) or at more than one level.

Innovation, innovativeness and creativity are often noted in the business world because the changing operational environment imposes different kinds of pressure for organisations to change, develop and invent new business possibilities in order to remain in the market and compete. The importance of innovation and innovativeness has been also recognised in the public sector. Economic challenges in Europe over the last decade have enhanced the importance of innovativeness and creativity in organisations due to the need to survive with fewer resources while still developing new ideas and ways to stay competitive. Lay-offs and dismissals have challenged organisations to cope with fewer employees. Employees' knowledge and expertise are essential for innovativeness and an organisation's success. Although organisations in this context emphasise the importance of innovativeness, not many succeed in realising it. It has been suggested that risk, which is always involved with innovativeness and innovations, might be one possible reason that organisations fail to innovate (Ahmed, 1998).

### **1.3.2 Innovativeness in the organisation**

Innovativeness has been traditionally defined as a one-dimensional concept that covers idea development and application (Scott & Bruce, 1994). A more recent

view defines organisational innovativeness as a multidimensional construct (Garcia & Calantone, 2002). However, defining innovation and innovativeness as a diverse and multidimensional phenomena is not a new idea; scholars have noted that innovation can take many forms such as product, process, radical or incremental innovation and have discussed their importance in organisations (Cooper, 1998; Utterback, 1994; Wang & Ahmed, 2004).

According to the classical Schumpeterian definition, innovation is related to a variety of options such as developing new products, services or production methods, identifying new markets, discovering new supply sources and developing new organisational practices and systems (Schumpeter, 1934). Other multidimensional definitions have presented different capacities; for example, Miller and Friesen (1983) suggest that innovation includes four elements: new and innovative products and services (product innovativeness), innovative production methods (process innovativeness), risk taking by management (strategic innovativeness), and seeking innovative solutions (behavioural innovativeness). In their model, Capon et al. (1992) propose three dimensions for innovativeness: market, strategic and technological. North and Smallbone (2000) have defined four dimensions for innovativeness: product innovation, market innovation, process innovation, and behavioural innovation.

Combining different definitions and perspectives of innovation and innovativeness, Wang and Ahmed (2004) created and validated a five-dimensional model to measure and evaluate organisational innovativeness (OIN): 1) product innovativeness, 2) market innovativeness, 3) process innovativeness, 4) behavioural innovativeness and 5) strategic innovativeness. In their model, organisational innovativeness is defined as “an organisation’s overall innovative capability of introducing new products to the market, or opening new markets, through combining strategic orientation with innovative behaviour and process” (Wang & Ahmed, 2004, p. 303).

Although organisational innovations have been studied widely, there is a lack of research instruments for measuring innovation and innovativeness at the organisational level (cf., Anderson, Potocnik & Zhou, 2014; Dobni 2008). In addition to the OIN scale, to date there is one other multi-factor model for measuring innovation culture in organisations that was introduced and developed by Dobni (2008). However, this scale focusses on measuring innovation culture, which is a distinct concept from organisational innovativeness. In this study, innovativeness is viewed as a multidimensional phenomenon, and Wang and Ahmed’s (2004) OIN model and definition of organisational innovativeness are applied to study the topic.

The first dimension of the OIN model is product innovativeness, which refers to the newness and meaningfulness of new products and services and that they are brought to the customers at the right time (Wang & Ahmed, 2004). Product innovativeness (Zirger, 1997) has been studied extensively (Calantone, Chan & Cui, 2006; Garcia & Calantone, 2002; Masaaki & Scott, 1995; Schmidt & Calantone, 1998) since the 1990s and has been found to be an important factor in product success (Sethi, Smith & Park, 2001; Zirger, 1997), which is associated



with sustainable business success (Calantone, Chan & Cui, 2006; Henard & Dacin, 2010; Henard & Szymanski, 2001). Innovative products and services are essential for the growth of organisations and the opening of new business opportunities and areas (Wang & Ahmed, 2004). Product innovativeness can be approached from several viewpoints, for example, from the customers' perspective (e.g., attributes, possible risks, change in behaviour), products' perspective (e.g., appropriateness: how does the product benefit consumers?) and from the company's perspective (e.g., marketing and technological aspects) (Danneels & Kleinschmidt, 2001). Because product innovativeness has gained a lot of attention, it can be distinguished as an important dimension of organisational innovativeness (Wang & Ahmed, 2004).

The second OIN dimension, market innovativeness, is commonly associated with product innovativeness (e.g., Cooper, 1973; Miller & Friesen, 1983; Schumpeter, 1934), and it has been even suggested that innovativeness as a phenomenon could be understood as the novelty of a product within the market (Ali, Krapfel & LaBahn, 1995). In general, market innovativeness refers to new innovations in market research, advertising and promotion (Andrews & Smith, 1996), the identification of new market possibilities and entry into new markets (Ali, Krapfel & LaBahn, 1995). In their model, Wang & Ahmed (2004) distinguish product and market innovativeness from each other, although the phenomena are intertwined; market innovativeness refers to the newness of market-oriented approaches such as reaching targeted customers, while market innovativeness is dependent on the organisation and its operational environment. Where one organisation could focus on entering a market and launching new products, another organisation could focus on developing new versions of existing products and adopting new marketing programmes. Either way, the organisation is most likely to successfully compete either in the existing market or in the new one (Wang & Ahmed, 2004).

Process innovativeness is the third dimension, and it denotes the opening of new production methods, management processes and technology that can be used to enhance production and management systems (Wang & Ahmed, 2004). In the literature, process innovativeness is often linked to technological innovativeness (Avlonitis, Kouremenos & Tzokas, 1994; Garcia & Calantone, 2002; Kitchell, 1997). However, Wang and Ahmed (2004) consider technological innovativeness as a part of product innovativeness, as it can be described as the technological novelty of new products, or as an element of process innovativeness (the technological advancement of systems and processes). Instead, Wang and Ahmed (2004) view process innovativeness as an essential component of organisational innovativeness because it includes an organisation's ability to use its resources and capabilities to creatively invent new products and services and be successful.

The fourth dimension, behavioural innovativeness, refers to employees', teams' and management's internal interest in new ideas and innovations. Behavioural innovativeness is not about single innovative events, individuals or teams and their characteristics (Wang & Ahmed, 2004), but rather it indicates

the whole organisation's behavioural commitment towards innovation (Avlonitis, Kouremenos & Tzokas, 1994). Therefore, an organisation's behavioural innovativeness includes innovativeness at different levels (individual, team, management) and the extent to which innovative culture and openness to new ideas is developed, encouraged and maintained in the organisation. Wang and Ahmed (2004) conclude that behavioural innovativeness is necessary for innovation. A positive atmosphere for innovativeness can foster innovation, whereas the lack of an innovative atmosphere can hinder innovation.

The final and fifth dimension of OIN model is strategic innovativeness. Strategic innovations refer to situations and inventions that change and develop the industry in a radical way (Markides, 1998; Wang & Ahmed, 2004). In general, strategic innovations can be understood as new strategies that are valuable for the organisation (Besanko et al., 1996). In the OIN model, strategic innovativeness is related to an organisation's ability to manage and achieve its objectives, to recognize a mismatch of ambitions and resources and to utilise its limited resources in a novel way (Wang & Ahmed, 2004). Strategic innovativeness is not typically easy to promote because successful organisations are typically secure in their comfort zone and do not desire to change. On the other hand, organisations that should be able to change do not necessarily have the abilities to manage change, or management might not want to take risks related to the uncertainties of change (Markides, 1998). Although strategic innovativeness has been scarcely studied (e.g., Avlonitis, Kouremenos & Tzokas, 1994; Capon et al., 1992; Miller & Friesen, 1983), Wang and Ahmed (2004) found and conceptualised it as an important element of overall organisational innovative capability.

The five dimensions in the OIN model are inter-connected, e.g., product and market innovativeness are intertwined as discussed above (Wang & Ahmed, 2004). Some dimensions (product and market innovativeness) are externally focussed, whereas other dimensions (behavioural and process innovativeness) are internally focussed. Strategic innovativeness combines both external and internal capabilities in order to open new operation possibilities. In addition, product and market innovativeness incorporate the three other innovativeness dimensions. Altogether, all these five dimensions are needed to illustrate an organisation's overall innovativeness (Wang & Ahmed, 2004). The OIN model was first presented and validated by Wang and Ahmed (2004) in the United Kingdom. Later, Ellonen et al. (2008) tested the model within the Finnish context, and because the original five-dimensional model failed in their study, they proposed a four-factor model (product, behavioural, strategic and process innovativeness) that combined market and product innovativeness.

A recently published MEADOW-report (Measuring the Dynamics of Organisation and Work) on innovativeness in Finnish organisations found that about one fourth of Finnish organisations (both private and public) have produced a new or significantly improved product or service during last two years and, thus, could be described as innovative organisations (Alasoini et al., 2014). The report showed that knowledge-based organisations are most often identified as innovative organisations (Aho, Minkkinen & Mäkiäho, 2014; Alasoini et

al., 2014). Although Finland is one of the most active countries in the EU in terms of its efforts in workplace development, there is a huge imbalance in its innovation activity; more effort is put on cutting costs and prolonging the lifecycle of existing products and services rather than focusing on developing and creating new ones. The report shows that Finnish organisations should focus more on their capabilities and motivation to renew their products and services. In addition, the report states that innovativeness should be viewed as a holistic and systematic phenomenon consisting of different dimensions (e.g., products and services, processes, markets) to achieve different types of innovation (Alasoini et al., 2014.).

In this dissertation, organisational innovativeness is viewed as a multidimensional construct. This study contributes to research on organisational innovativeness by investigating the dimensions of organisational innovativeness in the Finnish context and providing further knowledge about the topic.

### 1.3.3 Determinants of organisational innovativeness

In this study, organisational innovativeness is viewed as an organisational outcome that refers to such organisational features as productivity, service and quality (Dyer & Reeves, 1995). Organisational innovativeness is essential because it is required for innovating, which is related to competitiveness, productivity and an organisation's success (Anderson, Potocnik & Zhou, 2014; Nonaka & Takeuchi, 1995; Quinn, 2000; Van de Ven, 1986); therefore, it is important to focus on understanding and developing it in organisations (Wang & Ahmed 2004). Innovativeness is particularly important in specialist organisations that are built on knowledge and discovery (Chang & Birkett, 2004; Martins & Terblanche, 2003), which are prevalent in our knowledge-based society (Johannesen, Olsen & Lumpkin, 2001).

A wide range of literature has discussed the essence of organisational innovativeness (Salavou, 2004; Wang & Ahmed, 2004) and investigated how organisations can enhance it (e.g., Ahmed, 1998; Alencar & Bruno-Faria, 1997; Huhtala & Parzefall, 2007; Hult, Hurley & Knight, 2004; Martins & Terblanche, 2003; Scott & Bruce, 1994; Woodman, Sawyer & Griffin, 1993). Previous research noted that economic, organisational, managerial, industrial and legislative conditions are important prerequisites for organisational innovativeness (Avlonitis, Kouremenos & Tzokas, 1994; Hult, Hurley & Knight, 2004). In general, it has been noted that organisations that are open to new ideas and creativity and are actively seeking new openings have the most relevant characteristics for innovativeness (Ahmed, 1998; Judge, Fryxell & Dooley, 1997; Martins & Terblanche, 2003; Välimäki & Lämsä, 2010; Westwood & Low, 2003). Overall, adaptability as opposed to inflexibility and freedom as opposed to control have been found to support innovation (Martins & Terblanche, 2003).

For example, employee satisfaction and wellbeing, team support, information sharing, honesty, trust, encouragement, leadership behaviour and organisational culture have been identified as important elements in creating an innovative organisational environment (Chun, 2006; Ellonen, Blomqvist & Pu-

umalainen, 2008; Huhtala & Parzefall, 2007; Hult, Hurley & Knight, 2004; Rebernik & Širec 2007; Roffe, 1999; Schumacher & Wasieleski, 2013; Scott & Bruce, 1994). The same characteristics are closely related to different virtues of ethical organisational culture (Kaptein, 2008), which is viewed as the context for organisational innovativeness in this study. Further, Baucus et al. (2008) emphasise the importance of mutually shared organisational circumstances such as empowerment, resources, freedom to fail and working environment as important elements for creating an innovative atmosphere in an organisation.

Different determinants of innovativeness have been noted in the literature: first, individual characteristics (e.g., personality and skills), second, job-related characteristics (e.g., resources and rewards), third, team-related characteristics (e.g., composition and cohesiveness) and fourth, organisational characteristics (e.g., culture and leadership) (Caniëls, De Stobbeleir & De Clippeleer, 2014; Huhtala & Parzefall, 2007). Individual characteristics such as personality, skills and abilities have been noted to support innovativeness, at least at the individual or employee level (Caniëls, De Stobbeleir & De Clippeleer, 2014; Parzefall, Seeck & Leppänen, 2008). Further, having a creative mind and being open to new ideas have been found to be critical elements in innovativeness (Caniëls, De Stobbeleir & De Clippeleer, 2014). The second group, job level characteristics, includes, for example, an adequate level of resources and autonomy, as well as clearly defined objectives. These are especially necessary to gain access to critical information and contacts (Caniëls, De Stobbeleir & De Clippeleer, 2014; Parzefall, Seeck & Leppänen, 2008). Team level characteristics include, for example, team composition and diversity, cohesiveness and social skills. Diverse teams whose members complement and support each other and support an open environment for new ideas and creation have been found to enhance innovativeness in an organisation (Caniëls, De Stobbeleir & De Clippeleer, 2014; Parzefall, Seeck & Leppänen, 2008). The fourth group includes organisational characteristics such as structure, strategy and culture that. The importance of organisational culture in organisational innovativeness has been studied to some extent (e.g., Ahmed, 1998; Brown, 1992; Ekvall, 1996; Erdogan, Liden & Kraimer, 2006; Martins & Terblanche, 2003; McLean, 2005; Mumford, 2000; Naranjo-Valencia, Jiménez-Jiménez & Sanz-Valle, 2011; Schumacher & Wasieleski, 2013).

In general, prior research has shown the relationship between organisational cultures and climates and organisational innovativeness (Jung et al., 2009; Patterson et al., 2005); it is generally acknowledged that organisational culture can either foster or hinder innovativeness (Martins & Terblanche, 2003). Because culture influences employees' behaviour, it may encourage them to understand innovativeness as a core value of the organisation and to feel more associated with the organisation and its objectives (Hartman, 2006). For example, cultural elements such as psychological safety and a safe climate for risk taking have been found to support innovativeness at the organisational level (Baer & Frese, 2003; Parzefall, Seeck & Leppänen, 2008). In addition, open communication and supportive leadership are needed during the innovation process (Caniëls, De Stobbeleir & De Clippeleer, 2014).

#### 1.3.4 Linkage between ethical organisational culture and innovativeness

Because an ethical organisational culture is constituted by organisational virtues, it can be argued that the association between ethical culture and organisational innovativeness is defined by two key characteristics of virtues: their amplifying and buffering qualities (Cameron, Bright & Caza, 2004). First, the amplifying qualities enhance the possible positive consequences of ethical culture for innovativeness, and second, the buffering qualities of ethical culture can protect the organisation from violated innovativeness (Cameron, Bright & Caza, 2004). Prior research has noted that when organisations emphasise virtuous behaviour (e.g., compassion or courage in the organisation) or recognise and authorise virtuous conduct (e.g., when compassionate actions are recognised and encouraged), virtuousness develops as a self-reinforcing characteristic of the organisation, which can also foster tolerance of negative and challenging situations (Dienstbier & Zillig, 2002; Masten & Reed, 2002; Sutcliffe & Vogus, 2003).

Ethical organisational culture is related to organisational innovativeness in several ways: through *socialisation* (e.g., Chatman & Jehn, 1994), *values, assumptions and beliefs* (Tesluk, Farr & Klein, 1997) that guide an organisation's members' behaviour (Dobni, 2008), *positive emotions* (Cameron, Bright & Caza, 2004) and *management control* (Büschgens, Bausch & Balkin, 2013). In general, organisational culture is a mechanism that influences how an organisation's members internalise its values. This occurs through processes of socialisation, coordination and control in the organisational culture (Bandura, 1971; Büschgens, Bausch & Balkin, 2013). According to social learning theory, behaviour patterns are attained either through direct experience or by observing the conduct of others (Bandura, 1971). Through social learning, organisation's members are able to abide by the ethical conduct that is expected, followed and maintained in the organisation. Further, ethical organisational culture is linked with organisational innovativeness through pro-social behaviour, which occurs when individuals act toward the benefit of others (cf. Cameron et al., 2004). It has been noted that pro-social behaviour is internally constructed, where people who want to help others or be forgiving or generous, for example, act for intrinsic reasons, independent from rewards or attention received from elsewhere (Cameron et al., 2004). Thus, organisational virtues can be viewed as self-enhancing elements that further support positive behaviour towards other members in the organisation (Cameron et al., 2004).

Organisational virtues, which form the basis for ethical organisational culture, have been associated with the formation of an organisation's social capital (Nahapiet & Ghoshal, 1998). Social capital refers to the interpersonal relationships among an organisation's members that are essential for the flow of information and resources in the organisation (Cameron et al. 2004). In addition, social capital enhances communication, cooperation and learning in the organisation (Adler & Kwon, 2002; Leana & Van Buren, 1999; Nahapiet & Ghoshal, 1998). These features have also been found to be important in enhancing organisational innovativeness (Anderson, Potocnik & Zhou, 2014; Lehtimäki & Karintaus,

2013; Phelps, 2010; Phelps, Heidl & Wadhwa, 2012). For example, Anderson et al. (2014) argue that social embeddedness in an organisation has an important role in knowledge sharing, knowledge usage and building knowledge networks, which are essential features for innovativeness. In addition, Phelps et al. (2012) note that social relationships play an important role in processes of knowledge creation that are linked with creativity and innovation in an organisation.

An organisation's members play an important role in forming organisational values through group interaction and legitimisation (Bandura, 1971; Tajfel, 1982). Thus, according to social identity theory, social interaction in an organisational context is important when different types of identities (e.g., group and role) are constructed among an organisation's members (Ashforth & Mael, 1989). Values form the core of personal identities and create cohesiveness (Hitlin, 2003). Congruency between personal and organisational values motivates an organisation's members to identify with a larger entity, such as a group, department or the entire organisation (Ellemers, Pagliaro & Barreto, 2013; Ellemers et al., 2013). In this process, person-organisation fit, referring to the congruence between individual norms and values and those of the organisation, plays an important role in enhancing positive employee outcomes, e.g., commitment to the organisation and job satisfaction (Chatman, 1989; O'Reilly, Chatman & Caldwell, 1991).

Further, congruence between individual and organisational values and positive self-perception are meaningful factors in enhancing trust in the organisation and among its members; this also enhances cooperation in the organisation. A cooperative environment provides a positive starting point for communities of practice (Brown & Duguid, 1991), in which organisational learning and knowledge sharing are essential features (Easterby-Smith, Crossan & Nicolini, 2000). These features are also essential for the innovativeness of organisation. An ethical organisational culture supports an organisation's members' perceptions of safety, recognition and appreciation of their work and contribution in the organisation, which can add to their creativity, knowledge sharing and ability to co-operate and complete tasks individually (Park, 2005); this might further enhance organisational innovativeness. Martins and Terblanche (2003) argue that organisational culture, and specifically its values, norms and beliefs, affects an organisation's capability to innovate through the behaviour of its members. Mumford (2000) also discusses how an organisation's culture and its values are important in organisations that are dependent on their employees' capabilities, knowledge and desire to develop the organisation's ability to innovate. These findings also support the idea that ethical organisational culture and organisational innovativeness are related through social processes of learning and identity formation among an organisation's members.

According to the Aristotelian approach and the virtue-based theory of business ethics (Solomon, 2000, 2004), ethical organisational virtues occur within a social context (see also Collier, 1995, 1998). Thus, ethical organisational culture demonstrates a virtuous environment that consists of moral values, assumptions and beliefs (Huhtala, 2013). An organisation that facilitates the at-

tainment of these virtues also provides a positive working environment for its employees (Huhtala, 2013; Valentine et al., 2011). When an organisation sets innovativeness as its objective and pursues it through ethical values that are in line with organisation's members' own values, the organisation's members relate to the organisation with positive moral emotions such as pride and respect towards the organisation and its members (Malti & Latzko, 2012). For example, Huhtala et al.'s (2013) study shows that ethical organisational culture can lead managers' personal goals to be more social- and prestige-oriented (e.g., receiving appreciation and recognition from other members of the organisation and society at large). Accordingly, positive emotions (Cameron, Bright & Caza, 2004; Dutton, Roberts & Bednar, 2010; Ellemers et al., 2013; Fredrickson, 2003) can motivate an organisation's members to use their professional knowledge and expertise to achieve the best results for the organisation and, further, to employ practices and processes that support organisational innovativeness. Accordingly, an ethical culture, which holds and nurtures ethical virtues, can promote organisational innovativeness.

Because an ethical organisational culture can foster positive emotions among an organisation's members, it can also promote future virtuous behaviour, which can additionally boost positive organisational outcomes (Seligman, 2002; Staw, Sutton & Pelled, 1994) such as innovativeness (Akgün et al. 2007). Previous studies have noted that ethical behaviour based on virtuous acts and characteristics such as forgiveness, compassion or experiencing gratitude supports positive emotions (e.g., empathy and enthusiasm) are essential for organisational excellence (Cameron, Bright & Caza, 2004; Fineman, 1996). As Cameron et al. (2004) discuss, positive emotions can result in many positive aspects within an organisation, for example, improved decision-making, enhanced relationships among employees and improved empathy, respect and creativity. According to Fredrickson (2003, p. 173), observed virtuousness can spread throughout the organisation through a contagion effect; affective elevation fosters good deeds among an organisation's members when they emulate each other's actions, and, finally, ethical behaviour can launch an upward spiral that fosters good deeds in the organisation. Leaders' role in enhancing ethical behaviour has been found to be particularly essential in improving ethicality at the organisational level (George, 2000) and also in creating an organisational environment that supports innovativeness (Büschgens, Bausch & Balkin, 2013; Sarros, Cooper & Santora, 2008). For example, transformational leadership behaviour was found to be related to organisational innovativeness via the mediating effect of organisational culture (Sarros et al., 2008). It has also been noted in the innovativeness literature that innovativeness should be defined as a business virtue that both requires virtuous characteristics and qualities but also creates a virtuous circle in the organisation (Chun, 2006). In their empirical study, Cameron et al. (2004) found that virtuous behaviour is positively linked with organisational innovativeness through positive emotions and feelings so that ethical behaviour in the organisation maintains and develops positive emotions in the organisation, which are positively linked with the organisation's ability to innovate.

In addition, control theory can be used to explain the relationship between organisational culture and organisational innovativeness (Büschgens, Bausch & Balkin, 2013; Ouchi, 1981). According to this theory, organisational control is a management activity that aims to motivate an organisation's members to act according to the organisation's objectives (Büschgens, Bausch & Balkin, 2013). For example, Hansen (2011) has noted that management's formal and symbolic power plays a crucial role in advancing innovation. Management can enhance innovativeness in an organisation by providing opportunities for other members in the organisation to share ideas and also by acting as role models and exemplars of innovative behaviour. In addition, management can support an organisational culture that values learning and dialogue, which are also essential elements in promoting innovativeness (Hansen, 2011). Büschgens et al. (2013) note that because innovativeness and innovation are typically hard to measure and observe, social control in the organisation is the most efficient way to manage innovative activities. As discussed above, social processes in an organisation also have a special role in building, maintaining and developing the organisation's culture and shared values. Congruence of values and objectives is essential as an organisation's members determine what is in the best interest of the organisation (Wilkins & Ouchi, 1983). Thus, an ethical organisational culture can act as a control mechanism and provide specific organisational virtues that further support organisational innovativeness.

On the other hand, an ethical organisational culture, through its virtues, can also hinder the possible negative effects of affliction dealt by organisations. Organisational virtues can protect the social capital of the organisation and illustrate what is held important and desirable in the organisation (Cameron et al. 2004). Therefore, organisational virtues can also prevent unwanted outcomes so that the organisation is able to meet and deal with challenging issues with integrity (Cameron et al. 2004). For example, as Naranjo Valencia et al. (2011) found, organisational culture can act both as an enhancer or a hinderer of organisational innovation. Therefore, it is important that organisations pay attention to the values, beliefs, assumptions and orientations that they wish to maintain and develop. It has been found that adaptability, which organisational virtuousness enhances, helps organisations to handle negative situations, and therefore ethical behaviour, facilitated by organisational virtues, does not diminish an organisation's ability to innovate, but, rather, these are positively related (Cameron et al. 2004).

Previous studies examining ethics and innovation in an organisational context are listed in Table 1. Discussion of ethical themes in innovation research is limited (Blok & Lemmens, 2015), even though the importance of innovativeness for an organisation's success has been noted, along with the ethical questions implicit in innovation. Previous studies, conducted mainly in the US, have focussed primarily on the effects of culture and its characteristics in innovation



TABLE 1 Research on ethics and innovation in organisations, listed in chronological order

Author(s), Year	Study type	Ethics viewpoint or framework	Innovation framework	Main analysis	Findings
Fassin (2000)	Theoretical	Business ethics	Innovation business and innovation pro- cess	Conceptual study	Ethics and innovation are complex and combine different disciplines (ethics, technology, people, science, marketing and finance). Ethical problems can be solved when all parties follow the rules of business ethics and corporate governance.
Hull (2000)	Theoretical	Ethical codes and standards	Innovation studies (radical politics and radical epistemology)	Conceptual study	Ethical codes are valid to some point, but under- standing the role of ethical codes in innovation requires research on the origins and emergence of the problematizations that those codes should address and on the relationships of those prob- lematizations to other topics related to governing conduct.
Ruppel & Harrington (2000)	Empirical: 111 managers in a survey study	Ethical work climate (Victor & Cullen, 1988)	Commitment and in- novation; Competing values instrument (Yeung, Brockbank & Ulrich, 1991)	Stepwise mul- tiple regression analysis	Strong support that Hosmer's (1994) model on "right", "just" and "fair" treatment influences trust and innovation in organisations. The study shows a link between ethical work climate-to- trust-to-commitment and innovation and indi- cates that moral management is good manage- ment. Management establishes the climate for trust both directly and indirectly by encouraging a climate that enhances communication. Man- agement can have an effect on the ethical work climate and employee communication, which lead to trust.
Chun (2006)	Empirical: 407 managers in a survey study	Virtue Ethical Character Scale (Chun 2005)	Virtue Ethical Charac- ter Scale (Chun 2005)	Correlation analyses	The study shows mixed results on the correlation between integrity and innovation, courage and innovation and employee satisfaction and innova-

							tion. The correlation could be positive, negative or not significant depending on the organisational culture. An innovation-based reputation is sustainable only if it is positively related to the virtues of integrity and courage.
Baucus, Norton Jr., Baucus & Human (2008)	Theoretical	Ethical issues	Increasing creativity or innovation	Conceptual study	Four categories of fostering creativity and innovation that can raise ethical concerns are identified and discussed (breaking rules, challenging authority, creating conflict, and taking risks).		
Vernuccio, Cozzolino & Michelini (2010)	Empirical: 186 cases of packaging design	Ethical dimensions of packaging innovation	Innovativeness in packaging	Quantitative content analysis (cross-tabulation)	Integrating marketing, logistics and ethical views in packaging occurred in only one third of the analysed cases. According to the study, the main areas of integration in packaging are marketing and ethics. The study suggests that the potential of integrating of marketing, logistics and ethics could be more effectively used in future innovation projects.		
Schumacher & Wasilieski (2013)	Theoretical	Ethical values	Open innovation (Chesbrough, 2006)	Conceptual study	The authors propose and present a new Integrated Causal Model of Innovation. The model combines both natural and cultural sciences as it is based on Darwinian explanations for adaptations that enable survival and social science explanations for change.		
Block & Lemmens (2015)	Theoretical	Responsibility	Responsible innovation	Conceptual study	The authors discuss and question the concept of responsible innovation and its practical applicability. The authors call for wider and more critical views on innovation and responsible innovation research. In addition, the authors suggest that future research should pay more attention to responsibility in the context of innovation.		

instead of studying cultural values. Empirical studies on organisational culture and its connections to innovativeness are still scarce in the European context (Naranjo-Valencia, Jiménez-Jiménez & Sanz-Valle, 2011). Anderson et al. (2014) note that more research is needed on how organisational culture is linked to innovativeness and especially on what types of cultures or climates facilitate or inhibit organisational innovativeness (see also Jones, Jimmieson & Griffiths, 2005; Rousseau, 1988; Sarros, Cooper & Santora, 2008; Sørensen, 2002). This dissertation contributes to the discussion on the linkages of organisational culture and organisational innovativeness and focusses on examining the relationship between the ethical elements of organisational culture and innovativeness in the organisation.

For example, Baucus et al. (2008) discuss different topics in innovativeness that may raise ethical concerns such as breaking rules and traditions, challenging authority, creating competition and taking risks. It has been suggested that breaking the rules enhances innovativeness, as employees are able to develop new solutions to everyday problems and question old behaviour patterns (e.g., Winslow & Solomon, 1993; Sutton, 2001). Encouraging employees to break rules may increase innovativeness, but it raises challenging questions, e.g., which rules to break, what is the right context or situation for breaking rules and who can break the rules (Baucus et al., 2008). Risk taking has been also mentioned as an essential feature in innovation (e.g., Alencar & Bruno-Faria, 1997; Latham & Braun, 2009; Sutton, 2001), but research on innovation fails to note its ethical elements (e.g., what type of risks are taken, the possible negative consequences for the organisation and its stakeholders) (Baucus et al., 2008).

Baucus et al. (2008) suggest that if organisations wish to be innovative and avoid unethical behaviour, more attention should be paid to the contradictory elements of innovativeness, as they might be valuable in the essence of creativity. They also indicate that an organisation's management play an important role in identifying ethical topics and understanding their importance from an innovativeness perspective (Baucus et al., 2008). The results of Ruppel and Harrington's study (2000) support the idea that an ethical working environment, trust and ethical management are positively related to innovativeness. Blok and Lemmens (2015) note that elements such as transparency, interaction and mutual knowledge sharing are important factors for innovativeness. These elements are also related to the specific virtues of transparency, discussability and supportability in an ethical organisational culture (Kaptein, 2008).

In addition, employee empowerment, which is closely related to the ethical virtues of clarity, transparency, discussability, feasibility and supportability, has been found to be related to organisational innovativeness (Fernandez & Moldogaziev, 2012). A cohesive culture, trust and loyalty in a team have been also found to be important for organisational innovativeness (Brettel, Chomik & Flatten, 2014). These values are related to the ethical virtues of supportability, discussability and transparency in the CEV model (Kaptein, 2008). Because management has both symbolic and authorised power in an organisation, managers and supervisors can encourage employees to be creative and act as exam-

ples for fostering innovativeness. Sharing knowledge, experiences and information are also important for innovativeness (e.g., Anderson, Potocnik & Zhou, 2014; Caniëls, De Stobbeleir & De Clippeleer, 2014).

In sum, in-depth research on ethics and innovation remains scarce, although the connections between these topics have been discussed in previous literature. This study contributes to the discussion on ethics and innovation by examining ethical organisational culture and organisational innovativeness and clarifies their linkages. This dissertation examines ethics and innovativeness as organisational level phenomena.

## 1.4 Aims of the research

This research aims to examine the relationship between ethical organisational culture and organisational innovativeness. This dissertation uses a mixed methods approach that combines both quantitative and qualitative data, collected from Finnish specialist organisations. It consists of four individual studies (see Figure 1), each of which examines ethical organisational culture and organisational innovativeness from different perspectives. The aims of each individual study are introduced below.

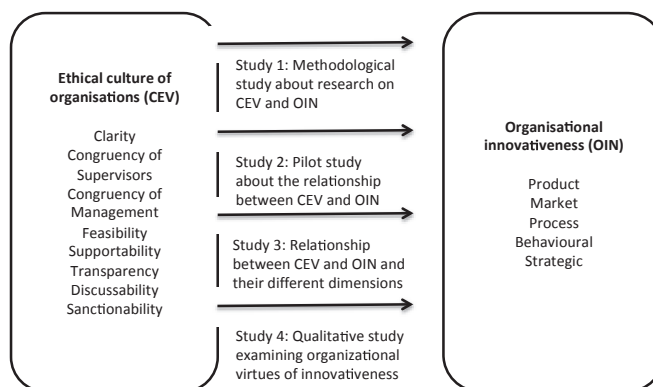


FIGURE 1 Framework of the study

*Study 1* is a theoretical and methodological study examining mixed methods analysis techniques in organisational ethics and innovativeness research. This study discussed how mixed methods analysis techniques could be applied in organisational ethics and innovativeness research.

*Study 2* is an empirical quantitative pilot study exploring possible linkages between ethical organisational culture and organisational innovativeness in public sector organisations. The construct validity of measurements for ethical

organisational culture and organisational innovativeness were evaluated in this study.

*Study 3* examined the relationship between ethical organisational culture and organisational innovativeness and their different dimensions using quantitative data collected from both private and public sector organisations.

*Study 4* is a qualitative empirical study, and its aim was to better understand the relationship between ethical organisational culture and organisational innovativeness. The focus was on how ethical organisational, culture and, especially, ethical organisational virtues support organisational innovativeness.

## 2 METHODS

### 2.1 Mixed methods research

Using mixed methods, as applied in this study, is a research approach that involves both qualitative and quantitative methodologies (Onwuegbuzie, Johnson & Collins, 2009; Sosulski & Lawrence, 2008; Tashakkori & Teddlie, 1998). Combining different methods in a study can minimise the biases built into certain research traditions; thus, using different methods together can yield findings that are quite different and versatile compared to typical single-method studies (Sosulski & Lawrence, 2008). It has been argued that mixed methods should be viewed as a third research paradigm, in addition to quantitative and qualitative research approaches (Johnson, Onwuegbuzie & Turner, 2007; Creswell & Clark, 2007).

Combining different research methodologies in the same study is not new, although discourse around “mixed methods” is (Creswell, 2009; Johnson, Onwuegbuzie & Turner, 2007; Sosulski & Lawrence, 2008). Previously, as Johnson, Onwuegbuzie and Turner (2007) note, this methodological movement was called blended research (Thomas, 2003), integrative research (Johnson & Onwuegbuzie, 2004), multimethod research (Hunter & Brewer, 2003; Morse, 2003) and triangulated research (Johnson, Onwuegbuzie & Turner, 2007; Sandelowski, 2003). “Mixed methods” implies a broader view and interpretation of the word “methods” to include different topics, strategies, assumptions, principles and values related to the methodology and practice of the research paradigm such as methods of data collection, methods of research, and philosophical discussions (Greene, 2006; Johnson, Onwuegbuzie & Turner, 2007). When defining mixed methods, typically qualitative and quantitative research is mixed in a single study or a set of studies (Johnson, Onwuegbuzie & Turner, 2007). In these studies, mixed methods research is defined in the following way:

Mixed methods research is the type of research in which a researcher or team of researchers combines elements of qualitative and quantitative research approaches

(e.g., use of qualitative and quantitative viewpoints, data collection, analysis, inference techniques) for the broad purposes of breadth and depth of understanding and corroboration. (Johnson, Onwuegbuzie & Turner, 2007, p. 123)

Mixed methods research can be understood as a reflection of iterative process that researchers conduct when changing views between induction and deduction at different phases of the study to find answers to their research questions. Thus, mixed methods research demonstrates a natural course of action (Creswell, 2013). Planning, implementing and evaluating the mixed methods research design are important (Creswell, 2013). In this study, mixed methods are used sequentially (Creswell, 2013): quantitative data were collected and analysed first, and later, these results were complemented with qualitative interview data and analysis.

Applying a mixed methods approach as a research strategy is traditionally described as multimethod, multitrait (Campbell & Fiske, 1959) or as triangulation methodology (Webb et al., 1966). Triangulation is defined as the combination of methodologies in the study of a research phenomenon (Denzin, 1978; Jick, 1979). Triangulation can take different forms (Denzin, 1978). First, data triangulation combines different types of research materials and data sources. Second, researcher triangulation refers to the use of more than one researcher to collect and interpret the data. Third, theoretical triangulation occurs when different theoretical perspectives are utilised in interpreting the data. Finally, methodological triangulation refers to the use of more than one method for gathering and combining data. Triangulation can also differ in the sense of being used within or between methods (Denzin, 1978). Within-method triangulation refers to a study in which different approaches of the same method are used to study the research topic, and between-methods triangulation involves different types of research methods, e.g., a survey and interviews or observation (Denzin, 1978).

Quantitative research methods can increase our understanding of the extent of a research phenomenon and the form and strength of conceptual relationships observed in the study (Johnson, Onwuegbuzie & Turner, 2007). In addition, qualitative methods may add to a more holistic and richer understanding of the survey study results (Johnson, Onwuegbuzie & Turner, 2007; Tashakkori & Teddlie, 1998), especially when complemented with theoretical triangulation (Denzin, 1978). In this research, methodological triangulation is used to examine the study topic from different perspectives and to enlarge the understanding of it.

One central topic in mixed methods research is the question of *what* the topic is around which the mixing happens (Greene, 2008). In this research, I follow the ideas of Greene (2008, p. 17), who contends that the mixing usually happens at the level of the construct or variable so that a better understanding of the study topic can be achieved. In this particular study, quantitative and qualitative methods are mixed to increase understanding of the relationship

between ethical organisational culture and organisational innovativeness. The research process is visualised in Figure 2.

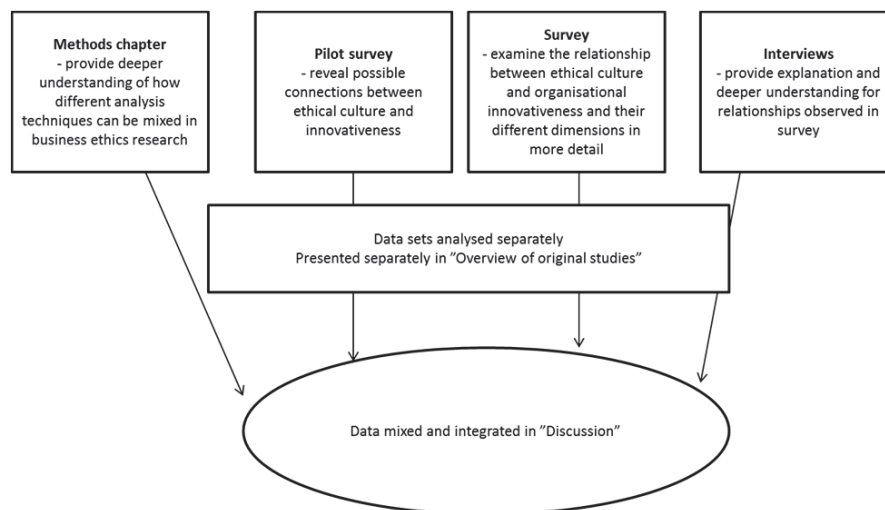


FIGURE 2 Research process and design

When the mixed methods approach is viewed from a research paradigm perspective, the focus of the discussion is more on philosophical issues (e.g., how knowledge is learned, what is the nature of reality and values, what is the context and background of the research) rather than on methods or the research process (Creswell & Clark, 2007). The pros, cons and possibilities of combining different research methods and paradigms have been discussed, and several views have been presented (Greene, 2008). Some suggest that different research paradigms should not be mixed because of incompatibility issues related to assumptions (e.g., Lincoln & Guba, 1985; Morse, 2003), whereas others view different paradigms as complementary (e.g., Greene, 2008, p.17; Johnson & Onwuegbuzie, 2004; Patton, 2015; Tashakkori & Teddlie, 2003). Different research paradigms have different approaches to methodological questions, but combining various methods is consistent within many philosophical paradigms (Frels & Onwuegbuzie, 2013).

Pragmatism is a research paradigm that is often discussed as the foundation for mixed methods research (Creswell & Clark, 2007; see also Norvapalo, 2014). According to Audi (1995, p. 730), pragmatism is a philosophical movement that “stresses the relation of theory to praxis and takes the continuity of experience and nature as revealed through the outcome of directed action as the starting point for reflection”.

The concept of truth is essential in pragmatism (Peirce, 1992, 1998). There are different types of truths, the instrumental and provisional truths that we create through our everyday living, experiences and actions and the absolute Truth that will be the ultimate reality at the end of history (Johnson & Onwueg-



buzie, 2004). Pragmatists view both the natural, or physical, world and the emergent social and psychological world (e.g., language, culture, subjective thoughts) as important elements of reality (Johnson & Onwuegbuzie, 2004). The mixed methods approach offers a method and philosophy that attempts to merge insights from qualitative and quantitative approaches into a workable solution (Johnson & Onwuegbuzie, 2004). Classical pragmatists, e.g., Charles Sanders Peirce, William James and John Dewey, as philosophical partners, offer views how to combine qualitative and quantitative research fruitfully (Johnson & Onwuegbuzie, 2004).

According to Johnson & Onwuegbuzie (2004, p. 18), pragmatism (1) places high regard for the reality and influence of the inner world of human experience on action, (2) views knowledge as being both constructed and based on the reality of the world we experience and live in, (3) views theories instrumentally (they become true and they are true to different degrees based on how well they currently work based on the criteria of predictability and applicability) and (4) views human inquiry (what we do in our everyday lives as we interact with our environments) as analogous to experimental and scientific inquiry.

According to Johnson & Onwuegbuzie (2004, p. 17) mixed methods inquiry includes the use of induction (or discovery of patterns), deduction (testing of theories and hypotheses) and abduction (uncovering and relying on the best of a set of explanations for understanding one's results (see also De Waal & Skowronski, 2012). Pragmatism offers an approach that allows different combinations of theory and data (abductive process), offers intersubjectivity in relation to research project, and transferability of data's inferences (Morgan, 2007). These same elements are familiar to mixed methods research (Morgan, 2007).

This dissertation is influenced by the philosophy of science and includes both the nature of the real world (ontology) and the nature of social knowledge (epistemology). In this study, ethical organisational culture and organisational innovativeness are studied as social phenomena, shared among and perceived by an organisation's members. Understanding the nature of organisational culture, practice and research depends upon the ideas concerning epistemology that define what constitutes scientific knowledge. In this study, the social world is understood from the assumption that everyday reality is socially constructed through everyday life practices, actions and experiences.

Using mixed methods in this study requires a combination of theoretical traditions (ethical organisational culture and organisational innovativeness) with real-life everyday organisational practices. Combining these two elements (thinking/knowing and acting/doing) is based on pragmatism as it focusses both on practical matters and philosophical and theoretical aspects of studying a social phenomenon (Neubert, 2009). The quantitative data used in this study is rather objective, whereas qualitative data is more subjective, showing the different realities of individuals in organisations. In general, mixed methods are used to increase the intersubjectivity of this study.

To date, mixed methods research has not been common in organisational studies (Azorín & Cameron, 2010). This might be due to the fact that mixed methods research typically requires a lot of resources (e.g., time) and confronts challenges when publishing academic articles (e.g., word limits in journals). In this study, quantitative and qualitative methods are combined to enrich knowledge about the research phenomena; therefore, the four articles in this study apply different methods. First, the relationship between ethical culture and organisational innovativeness was studied using questionnaires. Second, this knowledge was deepened with qualitative analysis of interview data.

In this study mixed research methods (both quantitative and qualitative) and data from different sources (methodological and data triangulation) are used to gain a rich and holistic view of the relationship between ethical organisational culture and organisational innovativeness. The mixed methods approach facilitates a comprehensive analysis where different research aspects complement each other (Greene, Caracelli & Graham, 1989; Johnson, Onwuegbuzie & Turner, 2007; Yin, 1984). Combining different methodological approaches develops a wide understanding of the methodological work needed to apply the methods most appropriate for the research problem (Creswell 2003, 2013).

## **2.2 Data and analysis**

In order to gather both general and particular knowledge about the relationship between ethical organisational culture and organisational innovativeness, three separate data sets were gathered for Studies 2-4. First, a pilot questionnaire study (n=147, response rate 33%) in public sector organisations was conducted in 2010 (see Study 2, Riivari et al., 2012). Second, a larger questionnaire study (n=719, response rate 51.5%, in total) was conducted in 2011 in three Finnish specialist organisations (see Study 3, Riivari & Lämsä, 2014). Third, 39 interviews were collected in 2012 from the same three case organisations used in Study 2 (see Study 4, Riivari & Lämsä, 2015).

### **2.2.1 Participants**

In Study 2, cross-sectional questionnaire data was gathered from public sector organisations in Finland. A standardised questionnaire was used as part of an Internet survey conducted in March and April 2010. The sample consisted of 450 participants out of which 147 responses were received (response rate 33%). Participants represented the Finnish state treasury's Kaiku specialists. Kaiku employer services provide a variety of services to different government departments. Further, Kaiku specialists are a group of civil servants who are responsible for advancing and developing wellbeing and functionality in Finnish

state organisations. For example, they offer training services in occupational wellbeing, vocational rehabilitation and risk management. (State Treasury, 2011.)

In Study 3, the empirical questionnaire data were collected in November and December 2011 from three Finnish specialist organisations using an Internet survey. The total sample size was 1395, of whom 719 responded (response rate 51.5%). The organisations represented both the private and public sectors. Organisation A is a large public sector organisation. Organisation B is a medium-sized company operating in industrial services in Finland. Organisation C is a large private company operating in industrial services in Finland, the Nordic countries and Eastern Europe. The background characteristics of the two samples in Studies 2 and 3 are presented in Table 2.

In Study 4, empirical qualitative data were collected in 2012 by means of semi-structured interviews from the same three Finnish specialist organisations as used in Study 3. A qualitative approach was chosen in order to gain a more holistic view on the meaning of ethical culture and specific ethical virtues in supporting organisational innovativeness than a questionnaire can offer. Purposeful sampling, generally accepted in qualitative research, was used (Eisenhardt, 1989; Patton, 2002). Altogether, 39 independent interviews with employees working both as specialists and supervisors were conducted in Organisations A (17 interviews), B (12 interviews) and C (10 interviews). In these interviews the participants shared their experiences, perceptions and ideas about ethical culture and innovativeness and the practices that foster or prevent innovativeness in their organisations. All interviews were carried out face-to-face, recorded, and later transcribed. The interviews lasted from 26 minutes to 1 hour and 44 minutes, amounting to over 43 hours of material in total (468 pages of transcribed text). The average length of the interviews was 1 hour and 6 minutes. The background characteristics of the interviewees are presented in Table 3.

Although Organisations A, B and C in studies 3 and 4 represent different sectors and operate in different fields, they still share certain similarities. First, they are all specialist organisations in their own field and all operate in Finland. They all have highly educated employees with specialised knowledge and expertise. These organisations also share similar values and strategic objectives; themes like openness, equality, reliability, fairness, responsibility, creativity and innovativeness are emphasised in each organisation. They declare the importance of fairness in their activities towards employees and other stakeholders. They emphasise the importance and value of expertise and skilled employees, and they want to provide a motivating working atmosphere and opportunities for development and training for their employees. These values are stated in the organisations' official documents and objectives. However, during the data collection period, none of the organisations had an official ethical code or code of conduct. Nonetheless, because the organisations promote ideas of re-

sponsible and innovative operations, they were chosen as suitable sites for investigating ethical culture and innovativeness in more detail.

TABLE 2 Background characteristics of participants in Studies 2 and 3

	Study 2	Study 3			
		<i>Org. A</i>	<i>Org. B</i>	<i>Org. C</i>	<i>Total</i>
Sample size	450	715	250	430	1395
Responses received	147	477	124	118	719
Response rate	33%	67%	50%	27%	51.5 %
Age (years)					
Mean	51	48	45	44	47
Range	28-67	24-66	25-64	24-61	24-66
SD	9.35	11.14	10.60	10.41	11.05
Gender					
Male	40%	40%	79%	77%	52.7%
Female	60%	60%	21%	23%	47.3%
Position					
Employee	18%	6%		31%	8.8%
Expert/specialist	50%	83%	83%	59%	79.2%
Manager/supervisor	32%	11%	17%	10%	12%
Education					
Academic degree (%)	71%	78.4%	73.4%	41.5 %	71.5%
Work experience in total (years)					
Mean	24	23	20	21	22
Range	1-45	1-47	1-50	3-42	1-50
SD	10.87	11.31	11.83	10.96	11.38
Work experience in current position (years)					
Mean	11	13	8	11	12
Range	1-41	1-46	1-35	1-37	1-46
SD	9.35	9.78	5.59	8.68	9.24

TABLE 3 Background characteristics of the interviewees in Study 4

Organisation	Gender	Age	Education	Position
A	female	33	academic	specialist
A	female	34	academic	specialist
A	male	35	academic	specialist
A	female	35	academic	specialist
A	female	35	academic	supervisor
A	female	39	academic	specialist
A	female	48	academic	specialist
A	female	48	academic	supervisor
A	male	53	academic	supervisor
A	male	54	academic	specialist
A	female	55	academic	specialist
A	female	56	academic	specialist
A	female	58	academic	supervisor
A	female	59	academic	supervisor
A	male	60	academic	supervisor
A	female	61	vocational	specialist
A	female	63	academic	supervisor
B	male	32	academic	specialist
B	male	39	academic	specialist
B	male	40	academic	supervisor
B	male	41	academic	supervisor
B	male	42	academic	specialist
B	male	44	academic	supervisor
B	female	45	academic	supervisor
B	male	53	academic	supervisor
B	male	53	academic	supervisor
B	female	54	academic	specialist
B	male	56	academic	supervisor
B	male	62	academic	supervisor
C	male	27	academic	supervisor
C	female	29	academic	specialist
C	female	40	vocational	specialist
C	male	40	academic	supervisor
C	female	43	vocational	specialist
C	male	43	academic	supervisor
C	male	45	vocational	supervisor
C	female	50	vocational	specialist
C	male	53	academic	supervisor
C	male	58	academic	supervisor

### 2.2.2 Measures

In the Studies 2 and 3, two different measures were used. Both are presented briefly in the following. First, the ethical culture of organisations was measured with the 58-item CEV (Corporate Ethical Virtues) questionnaire (Kaptein 2008). We used a double translated (first from Dutch into Finnish and then back into Dutch) and scale developer-approved Finnish version of the questionnaire (Huhtala et al., 2011; Huhtala, 2013). The scale includes eight dimensions of organisational virtues: 1) clarity (10 items, e.g., "In my immediate working environment, it is sufficiently clear how we are expected to conduct ourselves in a responsible way."), 2) congruency of supervisor (6 items, e.g., "My supervisor is honest and reliable."), 3) congruency of management (4 items, e.g., "The Board and (senior) management sets a good example in terms of ethical behaviour."), 4) feasibility (6 items, e.g., "I have inadequate resources at my disposal to carry out my tasks responsibly."), 5) supportability (6 items, e.g., "In my immediate working environment, everyone is totally committed to the (stipulated) norms and values of the organisation."), 6) transparency (7 items, e.g., "In my immediate working environment, there is adequate awareness of potential violations and incidents in the organisation."), 7) discussability (10 items, e.g., "In my immediate working environment, there is adequate scope to discuss personal moral dilemmas.") and 8) sanctionability (9 items, e.g., "In my immediate working environment, ethical conduct is valued highly.") (Kaptein 2008). The respondents used a 6-point Likert scale ranging from 1 (strongly disagree) to 6 (strongly agree) to rate the items. Negatively worded items concerning the virtue of feasibility were reversed for the analysis.

Second, organisational innovativeness (OIN) was measured with a 20-item questionnaire developed and validated by Wang and Ahmed (2004). The OIN scale was also double translated, first from English into Finnish and then back into English. The questionnaire includes five dimensions of innovativeness that all include four statements: 1) product innovativeness (e.g., "Our new products and services are often perceived as very novel by customers"), 2) market innovativeness (e.g., "In new product and services introductions, our organisation is often at the cutting edge of technology"), 3) behavioural innovativeness (e.g., "We get a lot of support from managers if we want to try new ways of doing things"), 4) process innovativeness (e.g., "When we cannot solve a problem using conventional methods, we improvise on new methods") and 5) strategic innovativeness (e.g., "Senior executives constantly seek unusual, novel solutions to problems via the use of 'idea men'"). These items were answered with a 7-point Likert scale ranging from 1 (strongly disagree) to 7 (strongly agree). Negatively worded items were reversed for the analysis.

Background variables in Studies 2 and 3 included the respondents' gender (male/female), age (years), education (degree) and position in the organisation (general staff/expert/manager).

### 2.2.3 Data analyses

The data analyses in this research are described in detail in the original articles. A summary of the study types, participants and data analyses is presented in Table 4.

TABLE 4 Summary of the original studies 1-4: Study types, participants and analysis methods

	Study type	Participants	Analysis methods
Study 1	Methodological, conceptual study	-	Conceptual study
Study 2	Quantitative survey study	147 respondents from public sector organisations	Descriptive statistics Confirmatory factor analysis Multivariate regression analysis
Study 3	Quantitative survey study	471 respondents from three specialist organisations	Descriptive statistics Linear regression analysis
Study 4	Qualitative interview study	39 interviewees from three specialist organisations	Qualitative content analysis

Study 1 is a methodological, conceptual study. Studies 2 and 3 used quantitative data and statistical analyses. In both, basic descriptive statistics (e.g., averages, correlations and their significances) were calculated. In Study 2, confirmatory factor analysis was performed to test the fit of the CEV and OIN scales, and multivariate regression analysis was used in analysing the relationship between the ethical culture of the organisation and organisational innovativeness. In Study 3, the relationship between the ethical culture of the organisation and innovativeness was analysed by means of linear regression analysis in two phases. First, the link between the one-dimensional models of ethical culture and organisational innovativeness was examined. Second, the role of different dimensions of ethical culture in different types of organisational innovativeness was tested using regression analysis. Statistical analyses in Studies 2 and 3 were performed with PASW Statistics 18 and IBM SPSS Statics 19. The confirmatory analysis in Study 2 was carried out with the AMOS 18 programme.

In Study 4, qualitative content analysis was used to analyse the qualitative interview data. The analysis method was chosen because it provides a systematic method for coding and classifying themes from the interview content (Hsieh & Shannon, 2005). Content analysis is a classical method of text analysis and is applicable for categorising and summarising material (Weber, 1990; Krippendorff, 2013). The ATLAS.ti software programme (version 7) was used to support the qualitative analysis. First, the interview material (quotations, sentences and longer parts of texts) was labelled into condensed meaning units representing a specific idea. Second, all the condensed meaning units were read repeatedly;

their labels were reviewed and modified if necessary. Finally, the condensed meaning units were shortened to codes (e.g., “leadership” or “autonomy”). This coding and sorting focussed on the interviewees’ perceptions of ethical virtues that promote innovation in their organisations.



### 3 OVERVIEW OF THE ORIGINAL STUDIES

This dissertation consists of four individual studies that all examine ethical organisational culture and organisational innovativeness. One of the original studies is a theoretical study published as a book chapter, and three of the studies are empirical articles. The numbering of the studies is based on the aims of this dissertation. The author has been responsible for the research process, conducted the empirical research, conducted the data analyses and had a leading role in the writing and publishing processes for Studies 2, 3 and 4. The author of this dissertation is the single author of Study 1 and the first author in Studies 2, 3 and 4.

#### 3.1 Study 1

Riivari, E. 2015. Mixing methods in organisational ethics and organisational innovativeness research: Three approaches to mixed methods analysis. In R. Pucetaite, A. Novelskaite & R. Pušinaite (Eds.) *Organizacijų etika, novatoriškumas ir darniosios inovacijos* [Organizational ethics, innovativeness and sustainable innovations]. Vilnius: Akademine leidyba, 193-207.

The aim of Study 1 was to examine mixed methods analysis and its techniques in organisational ethics and innovativeness research. This methodological study presents and discusses three categories of mixed methods analysis that all combine qualitative and quantitative approaches to research methodology: variable-oriented, case-oriented, and process/experience-oriented. The study showed that mixed method analysis is applicable when studying ethics and innovativeness in the organisational context and provided examples of different analysis techniques.

### 3.2 Study 2

Riivari, E., Lämsä, A-M., Kujala, J. & Heiskanen, E. 2012. The ethical culture of organisations and organisational innovativeness. *European Journal of Innovation Management* 15 (3), 310-331.

The aim of Study 2 was to examine the relationship between the ethical culture of organisations and organisational innovativeness. This pilot study was conducted within public sector organisations in Finland.

First, confirmatory factor analysis was used to test the validity of the Corporate Ethical Virtues (CEV) measurement (CEV, Kaptein, 2008) and Organisational Innovativeness (OIN) questionnaire (OIN, Wang & Ahmed, 2004). All eight dimensions of the CEV scale were found to load on the common CEV factor. Also, the five dimensions of OIN were found to load on the common OIN factor. However, the original four-component solution for market innovativeness failed in the study, and the market innovativeness dimension was modified to consist of only three items.

Second, correlation analysis and multivariate linear regression analysis were used to examine the interconnections between ethical organisational culture and organisational innovativeness. The correlation analysis indicated that the phenomena are interconnected. Also, the virtues of ethical culture and dimensions of organisational innovativeness correlated significantly with each other. The regression analysis showed that ethical culture explains 31% of organisational innovativeness. Ethical culture was found to be important for behavioural, strategic and process innovativeness. The role of congruency of management from the virtues of ethical culture seemed to be the most important in organisational innovativeness. The virtues of discussability, transparency and clarity were also found to be related to organisational innovativeness.

### 3.3 Study 3

Riivari, E. & Lämsä, A-M. 2014. Does it Pay to Be Ethical? Examining the Relationship Between Organisations' Ethical Culture and Innovativeness. *Journal of Business Ethics* 124 (1), 1-17.

The main aims of Study 3 were to investigate the relationship between ethical culture and organisational innovativeness and their different dimensions in Finnish specialist organisations.

Descriptive analysis showed that the ethical culture was evaluated relatively positively in all three organisations. However, differences among organi-

sations occurred, which showed that ethical culture varies from one organisation to another. The ethical virtue of clarity received the highest ratings, and sanctionability received the lowest evaluations of the individual virtues of ethical culture in the studied organisations. This denotes that even if the official rules and standards for ethical behaviour seem to be clear in Finnish organisations, more attention should be paid to the ethical consequences of individuals' actions. Organisational innovativeness was evaluated somewhat lower than ethical culture. Process innovativeness received the highest evaluations in all three organisations, while market innovativeness and strategic innovativeness received the lowest evaluations. Correlation analysis showed that in all organisations the ethical culture of an organisation correlated positively with its innovativeness. Also, the eight virtues of ethical culture correlated positively with the five dimensions of organisational innovativeness, with the exception of market innovation in Organisations A and B.

The relationship between ethical culture and organisational innovativeness was analysed using linear regression analysis. The analysis showed that an ethical culture was positively associated with organisational innovativeness. This result confirmed that the ethical culture of an organisation is of significance when an organisation aims to be innovative. Further, the study showed that different virtues of ethical culture were differently associated with the various dimensions of organisational innovativeness in the studied organisations. Among these ethical virtues, congruency of management and supervisors were found to have a particularly influential role in organisational innovativeness. In general, ethical culture played a key role in process and behavioural innovativeness in all the studied specialist organisations.

### 3.4 Study 4

Riivari, E. & Lämsä, A-M. 2015. Organizational Virtues of Innovativeness. Submitted for publication.

The aim of Study 4 was to study the meaning of ethical culture in organisational innovativeness. First, the results of a qualitative content analysis showed that the ethical virtues of feasibility, discussability, supportability and congruency were most likely to foster organisational innovativeness.

Second, the results showed which elements of these virtues were important in supporting innovativeness in the organisation. In feasibility, adequate resources, including time, autonomy and supplies, and sufficient professional competence were found to be important elements that enhance innovativeness. Open discussions and feedback from other members of the organisation were found to be important elements for the virtue of supportability. In supportability, a cooperative working atmosphere together with trust among an

organisation's members were essential elements for supporting innovativeness. Finally, transformational leadership behaviour and support from top management were crucial elements of congruency found to promote organisational innovativeness.

Third, the study examined which organisational practices were essential for reflecting the virtues that support organisational innovativeness. The findings showed that time management, human resource development, organising communication and feedback channels, providing discussion forums, accommodating organisational learning, building trust in the organisation and providing management and leadership development and training were organisational practices found to be important for the ethical organisational virtues of feasibility, discussability, supportability and congruency, which support organisational innovativeness. The study suggests, in line with the idea of golden means in virtue ethics (Solomon, 1999), that an appropriate level of the ethical organisational virtues is important in enhancing organisational innovativeness. Also in line with virtue ethics, the study proposes that as an organisation maintains and develops ethical virtues through different organisational practices, this process improves both the organisation's ethicality and innovativeness.

## 4 DISCUSSION

### 4.1 Summary of the main findings

The main aim of this research was to study the relationship between ethical organisational culture and organisational innovativeness. More specifically, in this dissertation ethical organisational culture, which derives from the virtue ethics theory for business ethics, was used as a framework for examining organisational culture. Although prior research has noted the importance of ethics in innovation and an ethical culture's role in organisational outcomes, this was the first research that empirically studied the relationship between organisational ethical culture and organisational innovativeness.

This dissertation used a mixed methods approach to study ethical culture and organisational innovativeness. Mixed methods analysis techniques were examined and discussed in Study 1. In this particular study, it was found that the mixed methods approach is not commonly used in business ethics research. However, as the study shows, the mixed methods approach and various analysis techniques are applicable to organisational ethics and innovativeness research. Using mixed methods can provide more comprehensive and meaningful findings and conclusions on the research phenomena than using quantitative or qualitative methods alone. This study began with quantitative empirical research, which was later complemented with qualitative empirical research. With this combination it was possible to discuss both generalised and quantified and context-based results, which is often not possible when a single method is used.

The empirical part of this research began with an explorative pilot study (Study 2) in public sector organisations that focussed on the possible links between ethical culture and organisational innovativeness. This study also investigated the validity of measurements for ethical culture and organisational innovativeness in the Finnish context. The findings showed a positive link between the ethical culture of an organisation and organisational innovativeness.

The ethical virtue of congruency of management was found to have a particularly important role in organisational innovativeness. In addition, the virtues of discussability and supportability were found to enhance organisational innovativeness in the public sector organisations. Behavioural, strategic and process innovativeness were most effectively enhanced by an ethical culture. Further, this study showed that both the CEV model and the OIN questionnaire are valid measurements for evaluating ethical culture and organisational innovativeness in Finnish organisations. This study was the first to provide empirical evidence that ethical culture and organisational innovativeness are related.

Next, this dissertation further examined the relationship between ethical culture and organisational innovativeness and their different dimensions in three Finnish specialist organisations (Study 3). The findings of the previous pilot study were confirmed; the results of this larger quantitative survey study also indicated that ethical culture is associated with organisational innovativeness. Moreover, this study showed that it is not the sector that counts when ethical culture or innovativeness is evaluated but rather the specific organisation and its culture. Furthermore, this study focussed on the different dimensions of both research phenomena; the findings indicate that different virtues of ethical culture are associated with different dimensions of organisational innovativeness. The study showed that ethical culture played a particular role in process and behavioural innovativeness. Further, this study confirmed that the ethical virtue of congruency of management had the greatest effect on organisational innovativeness. The findings of this study strengthened the notion of different virtues' importance in organisational innovativeness and suggest that as organisations aim to innovate, they should be acquainted with which virtues of ethical culture they should promote and foster.

Finally, the aim of Study 4 was to deepen our understanding of the relationship between ethical culture, specifically ethical virtues, and organisational innovativeness. The findings of this study showed that the ethical organisational virtues of feasibility, discussability, supportability and congruency of supervisors and management, which are characterised by specific elements and supported by specific organisational practices, are important in supporting organisational innovativeness. The study showed that a moderate level or quantity of ethical virtues is essential for supporting organisational innovativeness. This finding follows the idea of golden means in virtue ethics. In addition, the study suggests that by maintaining and developing ethical virtues in an organisation through various organisational practices, the organisation can maintain and improve both its ethicality and innovativeness. Finally, the study examined the features of organisational innovativeness and showed that they are not necessarily dichotomous in nature but rather follow the ideas of virtues.

## 4.2 Relationship between ethical culture and organisational innovativeness

The findings of the empirical studies (Studies 2-4) provided different insights into the relationship between ethical culture and organisational innovativeness. First, there is a link between ethical culture and organisational innovativeness. Previous research has theoretically and conceptually discussed the importance of ethics in innovation (Baucus et al., 2008; Fassin, 2000; Hull, 2000; Schumacher, & Wasieleski, 2013). However, the present research was the first to empirically study ethical culture and organisational innovativeness. The link between ethical culture and organisational innovativeness was first explored in the pilot study conducted in public sector organisations (Study 2). The study indicated that ethical culture and organisational innovativeness were positively related in public sector organisations. This positive link between ethical culture and organisational innovativeness was also found among specialist organisations (Study 3). Thus, the research showed that establishing ethical behaviour in an organisation is relevant for promoting innovativeness. This finding is supported by previous research that suggests that organisational culture is related to organisational outcomes (Huhtala et al., 2011; Treviño, Butterfield & McCabe, 1998) and, specifically, organisational innovativeness in this research (Ahmed, 1998; Martins & Terblanche, 2003). Further, this research contributes to the research on organisational culture by deepening the understanding of what type of organisational culture, namely ethical, is involved with organisational outcomes and, more specifically, innovativeness (cf., Büschgens, Bausch & Balkin, 2013).

Socialisation is an important process through which an organisation's members learn what is expected and conduct themselves in the organisation (Bandura, 1971; Chatman & Jehn, 1994). In this study, social learning theory (Bandura, 1971) and social identity theory (Ashforth & Mael, 1989) were used to connect ethical organisational culture and organisational innovativeness. In line with these theories and previous studies, this study showed that ethical culture exists in a social context, where values, assumptions and beliefs form the basis for an ethical organisational culture. To build an ethical organisational culture, an organisation's members use their experiences and observations to build ideas about expected behaviour patterns (cf., Bandura, 1971). Further, the results of this study are in line with previous research findings suggesting that an organisation that enhances ethicality in its culture also provides an atmosphere that supports positive emotions, which are also relevant for attaining innovativeness (cf., Malti & Latzko, 2012).

Second, this study examined which ethical virtues are related to organisational innovativeness. It was found in the pilot study that congruency of management, discussability and supportability were the ethical virtues most related to organisational innovativeness in the public sector organisations. Further, this

result was supported by the findings from the specialist organisations that showed that congruency of management was the ethical virtue with the greatest effect on organisational innovativeness. This result indicates that top management is particularly important as role models and providing examples to staff of how to behave ethically. This finding is in line with the theoretical assumption of the control theory (Büschens et al., 2013; Ouchi, 1981) in which an organisation's management can motivate its members to act in a certain way and therefore achieve the organisation's aims (Büschens et al., 2013). In previous research, the role of management in innovativeness has been discussed to some extent. In his study, Hansen (2011) found that management can enhance an organisation's innovativeness by providing support for creativity and knowledge sharing but also through leading by example.

Trevino et al. (2008) have also discussed the importance of senior management in the ethicality of organisations. Because top managers are typically intensively involved with the organisations in which they work, their identities and self-images are more likely also closely linked to these organisations (Trevino et al., 2008). In their empirical study, Trevino et al. (2008) found that top management in an organisation plays an important role in building an ethical culture in the organisation. According to social identity theory, social interaction in the organisational context plays an important role in constructing identities among organisations (Ashforth & Mael, 1989). Huhtala (2013) also found the role of supervisors and managers to be important for promoting ethical behaviour in a study conducted among Finnish managers; this study showed that supervisory examples of ethical conduct are essential in building and maintaining ethical conduct in the organisation, even if the ethicality of the organisation's culture is evaluated by managers themselves. The findings of this dissertation demonstrate that the role of management in ethical behaviour is also essential in knowledge-based specialist organisations, and leadership does not seem to be very shared from the ethics point of view.

The results indicate that management's ethical behaviour seems to increase trust and respect in the organisation and helps the organisation's members to identify with the ethical values of the organisation. Also, top management's behaviour has a major impact on the reputation of the organisation (Paine, 1997). An ethical reputation signals to employees that they can feel pride, purposefulness, motivation and inspiration in or from the organisation. These characteristics have been noted to be elemental for creativity and innovativeness in previous studies (Martins & Terblanche, 2003; Bassett-Jones, 2005; Rose-Anderssen & Allen, 2008; Caniels, De Stobbeleir & De Clippeleer, 2014). In sum, this research found that the behaviour of an organisation's top management is crucial for organisational innovativeness.

The results of the qualitative study (Study 4) deepened the understanding of how ethical culture and specific ethical organisational virtues support organisational innovativeness. In line with the findings of the quantitative studies, the results indicate that the virtues of feasibility, discussability, supportability



and congruency are particularly important in enhancing organisational innovativeness. The Study 4 also showed which elements of these virtues and which organisational practices are essential in promoting organisational innovativeness and thus deepened the understanding of the meaning of ethical culture and ethical organisational virtues in innovativeness. In addition, it was found that organisational virtues promote organisational innovativeness best when they follow virtues belonging to the golden mean, which is one of the main ideas of virtue ethics. In other words, the results indicate that it is important that there is an appropriate or adequate level of the ethical virtues in the organisation so that ethical behaviour and innovativeness can be best promoted in the organisation. Previous research on the features of innovativeness suggests that there are either prerequisites for or barriers to innovativeness (Anderson, Potocnik & Zhou, 2014; Caniels, De Stobbeleir & De Clippeleer, 2014). However, this research challenges such a simplification and shows instead that same features, e.g., resources, support and a trusting working atmosphere, can either enhance or hinder innovativeness. Thus, this dissertation suggests that there should be an optimal virtuous level for each feature to support innovativeness so that the virtue does not become a vice (cf. Kaptein, 2015).

This research has also deepened understanding of the virtue of congruency, which was one of the virtues found to be essential in supporting organisational innovativeness. The results indicated that leadership elements such as encouragement, equality, fairness, supportiveness and motivating others were essential elements of congruency that further support organisational innovativeness. These features are generally mentioned as characteristics of transformational leadership (e.g., Bass, 1991; Bass & Steidlmeier, 1999; Bass et al., 2003). Transformational leadership (e.g., Avolio, Bass & Jung, 1999; Bass & Steidlmeier, 1999) includes four main components: idealised influence, inspirational motivation, intellectual stimulation and individualised consideration (cf., Bass, 1985), all of which were deemed important for promoting organisational innovativeness. Thus, the results of the present research indicate that the virtue of congruency seems to require elements from transformational leadership in order to promote innovativeness. This finding also contributes to the discussion on ethical organisational culture and its specific virtues by widening the central characteristics and meaning of congruency.

Third, this research has shown that ethical culture and its virtues are differently linked to dimensions of organisational innovativeness. In general, the ethical virtue of congruency of management was found to be most involved with behavioural and process innovativeness in the Finnish specialist organisations. This result is in line with the findings of a recent report, which noted that regarding innovation, Finnish organisations focus on developing processes rather than creating new products or services (Aho, Minkkinen & Mäkiäho, 2014; Alasoini et al., 2014). Although the role of ethical culture in organisational innovativeness was quite similar in all studied organisations, there were slight differences in the relationships between ethical organisational virtues and di-

mensions of innovativeness, which denoted differences between the organisations' ethical cultures. For example, in the public sector organisation, the virtues of congruency of management and discussability were found to be most significantly related to behavioural and process innovativeness. Also, in the medium-sized private sector organisation, congruency of management was found to be significantly related to behavioural innovativeness, and congruency of supervisors was related to process innovativeness. In the large private sector organisation, clarity was the single virtue most significantly related to all dimensions of innovativeness, with the exception of strategic innovativeness. Similar to other specialist organisations, the virtues of congruency and transparency were also found to be important in product and behavioural innovativeness in this organisation. In sum, the research showed that there were not only differences between sectors but rather individual organisations have different ethical cultures, where different ethical organisational virtues are linked with the different dimensions of organisational innovativeness.

Further, it was found that in the private sector organisations, transparency was negatively correlated with process innovativeness and behavioural innovativeness, which indicates that ethical virtues might not only have positive influences on organisational innovativeness. The virtue of transparency includes characteristics such as knowing the consequences of one's actions and understanding what is expected from employees in relation to ethical conduct (Kaptein, 2008). According to the results of this research, the virtue of transparency also includes elements such as being aware of actions that might not promote employees' willingness and enthusiasm towards developing and ideating new production and working processes in the organisation. Creativity and innovativeness have been linked with such ethical issues as breaking rules or taking risks (Baucus et al., 2008). It may be that transparency, or understanding the meaning and consequences of ethical or unethical conduct in one's work, might hinder an employee's willingness to take risks, challenge old habits or break the rules because these actions would conflict with the ethical expectations in the organisation. This would also be in line with the descriptive results of the quantitative studies, which showed that, in general, ethical culture received higher evaluations in the specialist organisations than organisational innovativeness; this might indicate that, overall, ethics may be valued over innovativeness in those organisations. In sum, the research showed that ethical virtues might also have negative meanings for organisational innovativeness, more specifically on innovativeness that concerns developing and creating new processes.

### 4.3 Evaluations of ethical culture and organisational innovativeness in Finnish organisations

Through achieving its main aims, this research also gathered descriptive information on ethical culture and innovativeness in Finnish organisations. In general, the results showed that the ethical culture of an organisation received relatively positive evaluations in Finnish state and specialist organisations. Further, the research showed that ethical culture varies between organisations.

Studies 2 and 3 indicated that amongst the individual virtues of ethical culture, clarity was rated the highest in the Finnish public sector organisations. This result is in line with the results of Huhtala et al. (2011) and Huhtala (2013) who also noted that clarity received the most positive evaluations among Finnish respondents. The findings indicate that Finnish organisations have clear and justifiable ethical rules and standards, which are well-known within the organisations. In the private sector organisations, congruency of supervisors and discussability received the highest evaluations. Congruency also received high evaluations in the public sector organisations, although it was not the highest of the eight virtues. The result indicate that respondents in private specialist organisations regard their supervisors as good role models and examples for showing how to follow the ethical values of the organisations (congruency) and that there is an open environment in which to discuss ethical matters (discussability).

Amongst the individual virtues, supportability in the public organisations and sanctionability in the specialist organisations received the lowest evaluations. This partly supports the results of Huhtala's (2013) study, which found that in Finnish organisations, managers reported supportability and transparency as the least present virtues. The present results indicate that even if the rules and guidelines for ethical behaviour are clear in Finnish organisations, there should be more emphasis on how the organisation can encourage employees' ethical conduct in practice and the consequences of individual actions. The results show that the organisations studied are meeting the challenges of applying ethical rules and principles in practice. However, more attention should be paid to the development of trust and respect in the organisation. In addition, organisations should reward ethical behaviour and punish unethical behaviour as part of their ethical culture. Another study of Finnish organisations showed that feasibility deemed to be the least present virtue in the healthcare sector (Pihlajasaari et al., 2013). Feasibility received contradictory evaluations in the present research; it received high evaluations in the public sector but lower rankings in the private sector organisations. Thus, as the findings show, ethical culture and the presence of its eight virtues vary between sectors and individual organisations.

The research showed that in general, organisational innovativeness was less present than an ethical culture in Finnish organisations. Process innova-

tiveness, referring to the right timing, received the highest score and market innovativeness the lowest score. This is in line with the research results of Elloinen et al. (2008) who also found process innovativeness to be the most highly evaluated dimension of organisational innovativeness in Finnish private sector organisations. The results of the present research indicate that, different from the ethical culture, evaluations of organisational innovativeness remain quite similar, regardless of whether the organisation is in the public or private sector. The OIN measure was used by Wang and Ahmed (2004), who also determined process innovativeness to be high in England, Wales and Scotland. Thus, the present research indicates that organisational innovativeness receives similar evaluations in distinct operational environments.

Process innovativeness' particular role in the studied organisations is in line with recent MEADOW report on innovativeness in Finnish organisations (Aho, Minkkinen & Mäkiäho, 2014; Alasoini et al., 2014) in which process innovativeness was found to be the most common type of innovativeness in Finnish organisations. It was also noted in the MEADOW report that there were no significant differences between organisation types or sectors in relation to what types of innovations are promoted. In the MEADOW report innovations related to processes were most prevalent in Finnish organisations, whereas innovative products and services were not common (Aho, Minkkinen & Mäkiäho, 2014; Alasoini et al., 2014). The present research findings are in line with the results of the MEADOW report because they show that in general, process innovativeness receives quite high evaluations from the dimensions of organisational innovativeness, whereas market innovativeness received the lowest evaluations; thus, there is room for future development of the latter. This would not be only important for the innovativeness at organisational level, but it could also enhance innovativeness on a wider, societal level.

#### **4.4 Strengths and limitations of the research**

One of the strengths of this study was that it explored organisational innovativeness from the virtue ethics framework. Virtue ethics and ethical culture have been discussed in prior business ethics literature, and the connection between ethics and innovation has been examined to some extent. However, previously, there was little discussion on how ethical culture, which is based on the virtue ethics theory of business ethics and consists of ethical organisational virtues, is related to innovation and innovativeness in organisations. Combining a virtue ethics framework with innovation research opened the discussion of what type of organisational culture is relevant for organisational outcomes and, more specifically, how ethical organisational virtues are related to organisational innovativeness.

This dissertation used a mixed methods approach (e.g., Creswell & Plano Clark, 2011) to study ethical culture and organisational innovativeness. Using

mixed methods, i.e., combining quantitative and qualitative research methods, data and analysis, offered more versatile and detailed information on the relationship between the ethical culture and organisational innovativeness than a single-method study would have allowed. For example, it was possible to deepen the understanding of the relationship of the studied phenomena by using the qualitative data that focussed on an organisation's members' experiences and ideas of the studied topics in relation to their organisations. The qualitative study and material provided more nuanced information on the relationship between ethical culture and innovativeness and also the organisational practices supporting innovativeness than an exclusively quantitative study would have allowed.

This research employed three different data sets collected from different sectors and organisations. This provided a wider view of ethical culture and organisational inventiveness within Finnish organisations compared to a single-case study or a study conducted only with private or public sector organisations. The empirical material also consisted of different samples so that study participants represented different organisational levels, from employees to managers. This adds to the generalizability of the results in the Finnish context.

However, there are limitations to the applicability of the results for general inferences. The findings are only applicable in the societal context of Finland, where the individual studies were conducted. It should be also kept in mind that the quantitative studies consisted of cross-sectional samples, which do not allow for causal inferences. Thus, in this study, the assumed relationship between ethical culture and organisational innovativeness and was driven only by theory. In the future, longitudinal research is required to examine the causality between these phenomena.

Quantitative data on ethical culture and organisational innovativeness were collected through self-reported measures, and thus the possibility of common method bias should be also noted. Although the validity of the studied phenomena was tested and found to be sufficient, part of the observed covariation could result from the shared method of measurement. However, this risk was reduced through several steps. The measurements of ethical culture and organisational innovativeness that were used in Studies 2 and 3 were previously noted as established questionnaires. To reduce the participants' propensity to select similar evaluations for different items, items for each measure (CEV and OIN) were separated with different titles, and some of the items were reversely scored. Also, the mixed methods approach, applied in this dissertation, reduces the risk of common variance. In this research, interest was on the observed ethical culture and innovativeness of the organisation; thus it was appropriate to use self-reporting and interviews.

There is also a chance that social desirability response bias may have influenced the results because ethics is a sensitive research topic. This means that study participants may give more positive evaluations of the organisation's ethical culture or organisational innovativeness than they truly really them to be.

In the future, objective organisational outcome measures could also be used to increase the reliability of the results.

#### **4.5 Practical considerations and further research**

This dissertation offers usable information for organisations regarding how organisational culture and, more specifically, its ethical elements might be used to develop and foster innovativeness. As the findings show, an ethical organisational culture and, specifically, the ethical virtue of congruency of management seem to be related to an organisation's innovativeness. From practical point of view, this finding shows that ethically sound, congruent leadership and management behaviour may encourage an organisation's members to innovate. From a practical point of view, transformational leadership behaviour, in particular, seems to enhance innovativeness among members of the organisation. Based on this research, it seems important to focus on leadership development and training in order to promote both ethical and innovative behaviour in an organisation.

The research also increases the understanding of the organisational characteristics and practices that might enhance organisational innovativeness. The study found that sufficient resources and professional competence, which are both related to the ethical virtue of feasibility, are relevant in supporting the innovativeness of an organisation. From a practical point of view, paying attention to time management and human resource development might be organisational practices that support the virtue of feasibility and an organisation's members' abilities to innovate. Also, organising feedback channels and discussion forums together with supporting organisational learning could enhance organisational innovativeness; elements of the ethical virtue of discussability such as open discussions, idea sharing and feedback from other members of the organisations were found essential for supporting innovativeness in the organisation. Finally, organisational development and trust building could also enhance the organisation's capacity to innovate, as the findings of the research showed that a supportive, co-operative and trustful working atmosphere and overall trust among an organisation's members, all elements of the ethical virtue of supportability, also promote innovativeness at the organisational level.

Previous research on the features of innovativeness has mainly focussed on the positive or negative effects of the specified virtues (cf., Anderson, Potocnik & Zhou, 2014). This study broadens the features of innovativeness and shows that one feature might have both positive and negative consequences for innovativeness, demonstrating the more complicated and multifaceted nature of these features. In practice, organisations could use this information to focus on developing their operations and culture in order to provide the most appropriate level of relevant elements in supporting ethically sound and innovative behaviour.

This research also provides a validated, translated measurement for evaluating organisational innovativeness in Finnish organisations. Because innovation is a topical theme in current practical discussions, this offers a valid tool for measuring and assessing an organisation's capabilities for innovation. The tool can make innovativeness more visible in organisations and can provide information on which dimensions are essential if the organisation aims to develop its innovativeness. The measure could be used in organisations to first measure and gather information on the level of innovativeness and its different dimensions so that they can be developed accordingly. For example, different development projects or procedures could be implemented to improve dimensions of innovativeness that receive lower evaluations. The OIN scale provides an efficient tool for evaluating the overall innovative capability of an organisation. It not only focusses on individual creativity or individual capacity for innovation, but rather it highlights capabilities of innovativeness at the organisational level.

As Table 1 shows, research on ethics and innovativeness to date has been mainly theoretical or has focussed on measuring these phenomena with quantitative surveys. The CEV and OIN scales used in this dissertation consist of a wide range of items, which means that respondents require time and focus in order to answer them. In the future, shortened versions of the scale could be developed to provide a more accessible and applicable tool for practical use. Future research might also widen the scope and use more variable methods, e.g., ethnography, and data sources, e.g., questionnaires, interviews, fieldwork notes and diaries and documentary data, to achieve a deeper understanding of the topic. Especially because both research phenomena are conceptualised at the organisational level, it would be important to delve deeper into the studied organisations' and their members' ideas and values about ethicality and innovativeness rather than just focusing on their feelings and experiences about them as they relate to their organisations.

In addition, studies on ethics and innovativeness have been limited to selected Western contexts. In the future, the field would gain new knowledge and understanding from studies conducted in different contexts, as well as cross-cultural comparisons. In general, more empirical research is needed on the cross-cultural differences in ethical culture and the relationship between ethical culture and organisational innovativeness. Future studies should also investigate an ethical culture's linkages to other types of organisational outcomes such as employee and financial outcomes (e.g., Dyer & Reeves, 1995).

Finally, this research has shown that ethical culture and organisational innovativeness are mainly positively related. It has also noted that there may be some contradictory or negative elements related to the phenomena and their relationship. Thus, future research could examine the possible contradictions, tensions, or even the "dark side" of an organisation's ethical culture and innovativeness in order to show their multifaceted nature.

## 4.6 Conclusion

This study examined the relationship between ethical culture and organisational innovativeness. The mixed methods approach allowed both quantitative and qualitative data and analyses and, thus, provided a more versatile view on this relationship. The research pointed out that ethical culture and specific ethical organisational virtues are related to organisational innovativeness, particularly for process and behavioural innovativeness. As the findings showed, the ethical virtue of congruency of management had a particularly notable role in organisational innovativeness. Also, the ethical virtues of feasibility, discussability and supportability were found to be essential in supporting organisational innovativeness. To promote innovativeness, organisations could maintain and develop certain organisational practices that are relevant for specific elements of these ethical organisational virtues. Also, by applying CEV and OIN measurements, organisations can assess their level of ethical conduct and innovativeness. Based on the evaluations, organisations can target for improvement those virtues and dimensions of innovativeness that receive low evaluations. Maintaining and enhancing ethical virtues in an organisation can help members of the organisation to innovate.



## YHTEENVETO (SUMMARY)

### **Innovatiivisuuden hyveet: Monimenetelmällinen tutkimus eettisestä organisaatiokulttuurista ja organisaation innovatiivisuudesta**

Etiikalla, hyvällä ja oikealla toiminnalla, on tärkeä rooli organisaatioiden toiminnassa. Työelämässä eri toimijoiden arvot ja periaatteet eivät aina automaattisesti kohtaa, joten työyhteisöissä tarvitaan sekä virallisia ohjeita että organisaatiokulttuurin tukea eettiseen toimintaan. Eettisyyden ohella innovatiivisuus on monen organisaation kannalta keskeinen tekijä: sitä tarvitaan toiminnan ylläpitämiseen, markkinoilla kilpailemiseen sekä menestymiseen. Tässä tutkimuksessa organisaatioetiikka yhdistyy innovatiivisuuden tutkimukseen.

Tämä väitöskirjatutkimus tarkastelee eettisen organisaatiokulttuurin yhteyttä organisaation innovatiivisuuteen. Eettisen organisaatiokulttuurin käsite perustuu hyve-etiikkaan, joka kiinnittää huomiota eri toimijoiden, yksilöiden ja organisaatioiden, sekä näiden tekojen ominaisuuksiin, hyveisiin. Eettistä organisaatiokulttuuria ja erityisesti eettisiä hyveitä tarkastellaan suhteessa organisaation tuloksiin, tarkemmin organisaation innovatiivisuuteen. Organisaation innovatiivisuudella tarkoitetaan organisaation kykyä ja halua tuottaa uusia ideoita, jotka voivat kehittyä innovaatioiksi. Väitöskirjan päätavoitteena oli selvittää, miten eettinen organisaatiokulttuuri on yhteydessä organisaation innovatiivisuuteen. Tutkimuksessa käytetään määrällisiä ja laadullisia tutkimusmenetelmiä yhdistävää monimenetelmällistä eli mixed methods tutkimusotetta.

Väitöskirja koostuu neljästä itsenäisestä tutkimusartikkelista ja kokoavasta johdantoluvusta. Ensimmäisessä artikkelissa selvitetään monimenetelmällisten analyysitekniikoiden hyödyntämistä organisaatioetiikan ja innovatiivisuuden tutkimuksessa. Tässä menetelmäartikkelissa tarkastellaan kolmea monimenetelmällisen tutkimuksen analyysikategoriaa, jotka yhdistävät laadullisia ja määrällisiä tutkimusmenetelmiä. Analyysikategoriat ovat muuttujakeskeinen, tapauskeskeinen ja prosessi-/kokemuskeskeinen. Tutkimus osoittaa, että monimenetelmällisiä analyysitekniikoita voidaan soveltaa organisaatioetiikan ja innovatiivisuuden tutkimuksessa.

Toisen artikkelin päätavoitteena oli analysoida eettisen organisaatiokulttuurin ja organisaation innovatiivisuuden välistä yhteyttä. Lisäksi tutkimuksessa arvioitiin eettisen organisaatiokulttuurin mittariston (Corporate Ethical Virtues, CEV, Kaptein 2008) ja organisaation innovatiivisuuden mittariston (Organisational Innovativeness, OIN, Wang & Ahmed 2005) validiteettia. CEV-mittaristo sisältää kahdeksan organisaatiotason hyvettä: sääntöjen selkeys, esimiehen sekä ylimmän johdon esimerkillisyys, työtehtävien toteutettavuus, organisaation tuki, toiminnan läpinäkyvyys, keskustelevuus ja toiminnan seuraukset. OIN-mittaristo koostuu viidestä organisaation innovatiivisuuden osaluueesta: tuotteet, markkinat, prosessit, käyttäytyminen, ja strategia. Tutkimus toteutettiin kyselytutkimuksena julkisen sektorin organisaatioissa Suomessa. Tutkimusaineisto koostuu 147 julkisen sektorin työntekijän vastauksesta. Tu-

lokset osoittavat, että CEV-mittaristo on validi julkisen sektorin aineistossa. Kyselyn 58 väittämää muodostavat selkeän kahdeksan ulottuvuutta sisältävän faktorirakenteen. Myös OIN-mittaristo osoittautui validiksi. Tutkimuksen tulosten mukaan eettinen organisaatiokulttuuri ja organisaation innovatiivisuus ovat positiivisesti yhteydessä toisiinsa: eettinen organisaatiokulttuuri selittää 31 % organisaation innovatiivisuudesta. Eettinen organisaatiokulttuuri oli erityisesti yhteydessä organisaation käyttäytymisen ja prosessien innovatiivisuuteen sekä strategiseen innovatiivisuuteen. Organisaation eettisistä hyveistä erityisesti ylimmän johdon esimerkillisyys oli positiivisesti yhteydessä organisaation innovatiivisuuteen. Myös keskustelevuuden, läpinäkyvyyden ja sääntöjen selkeyden hyveet olivat yhteydessä organisaation innovatiivisuuteen.

Kolmas artikkeli tarkastelee eettisen organisaatiokulttuurin ja organisaation innovatiivisuuden yhteyttä sekä näiden ilmiöiden eri osa-alueiden välisiä yhteyksiä suomalaisissa asiantuntijaorganisaatioissa. Kyselytutkimukseen osallistui 719 vastaajaa kolmesta yksityisen ja julkisen sektorin organisaatiosta. Tulokset osoittavat, että eettisen organisaatiokulttuurin ja organisaation innovatiivisuuden välillä on positiivinen yhteys asiantuntijaorganisaatioissa. Tulos vahvistaa, että organisaatiokulttuurin eettisyydellä on merkitystä, kun organisaation tavoitteena on olla innovatiivinen. Tutkimuksen tulokset osoittavat edelleen, että eri eettisen organisaatiokulttuurin hyveet ovat eri tavoin yhteydessä organisaation innovatiivisuuden osa-alueisiin tutkituissa asiantuntijaorganisaatioissa. Tulosten mukaan yksittäisistä organisaation eettisistä hyveistä ylimmän johdon ja esimiesten esimerkillisyydellä on erityinen yhteys organisaation innovatiivisuuteen: johdon ja esimiesten hyvä ja oikea toiminta lisää organisaation innovatiivisuutta. Yleisesti eettinen organisaatiokulttuuri on yhteydessä organisaation prosessien ja käyttäytymisen innovatiivisuuteen tutkituissa asiantuntijaorganisaatioissa.

Neljännän artikkelin tavoitteena oli lisätä ymmärrystä eettisen organisaatiokulttuurin ja organisaation innovatiivisuuden välisestä yhteydestä. Tutkimuksen tarkempi tavoite oli tutkia eettisen organisaatiokulttuurin merkitystä organisaation innovatiivisuudelle. Tutkimusaineisto koostuu 39 haastattelusta, jotka kerättiin kolmesta suomalaisesta asiantuntijaorganisaatiosta. Aineiston analysoinnissa käytettiin laadullista sisällönanalyysia. Tutkimuksen tulokset osoittavat, että organisaation eettisistä hyveistä työtehtävien toteutettavuus, keskustelevuus, organisaation tuki sekä ylimmän johdon ja esimiesten esimerkillisyys edistivät organisaation innovatiivisuutta. Toteutettavuudessa riittävät resurssit, kuten aika, autonomia ja työvälineet sekä riittävä ammatillinen kompetenssi osoittautuivat tärkeiksi organisaation innovatiivisuutta edistäviksi tekijöiksi. Keskustelevuuden hyveen osalta avoin keskustelu sekä palaute todettiin tärkeiksi innovatiivisuuden kannalta. Organisaation tuen hyveen osalta tulokset osoittavat, että yhteistyötä tukeva työilmapiiri sekä organisaation jäsenten välinen luottamus olivat tärkeitä ominaisuuksia, jotka tukevat innovatiivisuutta. Johdon ja esimiesten esimerkillisyyden hyveen osalta erityisesti transformationaalinen johtajuuskäyttäytyminen sekä ylimmän johdon tuki ovat kes-

keisiä organisaation innovatiivisuuden tukemisen kannalta. Tutkimus osoittaa lisäksi, mitkä organisatoriset käytänteet ovat tärkeitä näiden innovatiivisuudelle merkityksellisten hyveiden näkökulmasta. Tulosten mukaan ajankäyttö ja sen valvonta, henkilöstön kehittäminen, viestintä- ja palautekanavien organisointi, keskustelufoorumien tarjoaminen, oppimisen tukeminen ja luottamuksen rakentaminen organisaatiossa sekä johtamis- ja esimieskoulutuksen järjestäminen ovat eettisten hyveiden kannalta olennaisia organisaation käytänteitä, joilla voidaan tukea organisaation innovatiivisuutta. Tutkimuksen tulokset osoittavat, että hyve-etiikan kultaisen keskitien idean mukaisesti organisaatiossa tulisi olla sopivasti eettisiä hyveitä, jotta organisaation innovatiivisuutta voidaan tukea. Organisaatio voi erilaisten organisatoristen käytäntöjen kautta ylläpitää ja kehittää eettisiä hyveitä, mikä edistää edelleen organisaation eettisyyttä ja innovatiivisuutta.

Tämä väitöskirjatutkimus osoittaa, että eettinen organisaatiokulttuuri ja organisaation eettiset hyveet edistävät organisaation innovatiivisuutta erityisesti liittyen prosessien ja käyttäytymisen innovatiivisuuteen. Tämä monimene-  
telmällinen tutkimus täydentää, vahvistaa ja monipuolistaa ymmärrystä eettisen organisaatiokulttuurin ja organisaation innovatiivisuuden välisistä yhteyksistä. Tutkimus osoittaa, että eettisistä hyveistä erityisesti johdon esimerkillisyydellä on merkitystä organisaation innovatiivisuuden kannalta. Organisaation ylimmän johdon esimerkillisyys rehellisyydessä, tinkimättömyydessä sekä yhteisten sääntöjen ja arvojen noudattamisessa ovat keskeisessä roolissa innovatiivisuuden tukemisessa. Myös työtehtävien toteutettavuuden, keskusteluvuuden ja organisaation tuen hyveet osoittautuivat tärkeiksi innovatiivisuuden kannalta. Organisaation eettisten hyveiden kannalta keskeisiin organisatorisiin käytänteisiin ja toimintatapoihin panostamalla organisaatiot voivat eettisyyden ohella edistää innovatiivisuuttaan. Lisäksi tutkimus osoittaa, että tässä tutkimuksessa käytettyjen CEV- ja OIN-mittareiden avulla organisaatiot voivat arvioida eettisen organisaatiokulttuurin ja organisaation innovatiivisuuden tasoa. Organisaatiot voivat kehittää niitä hyveitä ja innovatiivisuuden osa-alueita, jotka arvioidaan organisaatiossa huonommin toteutuviksi. Tutkimustulosteni perusteella voidaan esittää, että organisaation eettisten hyveiden ylläpitäminen ja kehittäminen auttaa organisaation jäseniä innovoimaan.

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## ORIGINAL PAPERS

### I

#### **MIXING METHODS IN ORGANISATIONAL ETHICS AND ORGANISATIONAL INNOVATIVENESS RESEARCH: THREE APPROACHES TO MIXED METHODS ANALYSIS.**

by

Elina Riivari 2015

In R. Pučetaite, A. Novelskaite & R. Pušinaite (Eds.) Organizacijų etika, novatoriškumas ir darniosios inovacijos [Organizational ethics, innovativeness and sustainable innovations]. Vilnius: Akademine leidyba, 193-207.

## II

### **THE ETHICAL CULTURE OF ORGANISATIONS AND ORGANISATIONAL INNOVATIVENESS**

by

Elina Riivari, Anna-Maija Lämsä, Johanna Kujala & Erika Heiskanen 2012

European Journal of Innovation Management 15 (3), 310-331

### **III**

## **DOES IT PAY TO BE ETHICAL? EXAMINING THE RELATIONSHIP BETWEEN ORGANISATIONS' ETHICAL CULTURE AND INNO- VATIVENESS**

by

Elina Riivari & Anna-Maija Lämsä 2014

Journal of Business Ethics 124 (1), 1-17



**IV**

**ORGANIZATIONAL VIRTUES OF INNOVATIVENESS**

by

Elina Riivari & Anna-Maija Lämsä 2015

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### **Abstract**

This study participates in the discussion of the ethical culture of organizations by deepening the knowledge and understanding of the meaning of ethical organizational virtues in organizational innovativeness. The aim in this study was to explore how ethical organizational culture and, more specifically, ethical organizational virtues support organizational innovativeness. The ethical culture of an organization is defined as the virtuousness of an organization. Organizational innovativeness is conceptualized as an organization's behavioral propensity to produce innovative products and services. The empirical data consisted of a total of 39 interviews from specialist organizations. Qualitative content analysis was used to analyze the data. The findings indicate that the ethical organizational virtues of feasibility, discussability, supportability, and congruency of management are those that support organizational innovativeness. The findings also show which specific elements of these virtues and related organizational practices are important to innovativeness. In addition, this study showed that the features of organizational innovativeness are not necessarily dichotomous but rather follow the ideas of virtues and are versatile in nature.

**Keywords:** ethical culture, ethics, innovation, innovativeness, organizational culture, qualitative research, virtue ethics

## Introduction

Innovativeness has an important role in organizations, as it has been found to be related to their performance, success, and continuity in the long term (e.g. Anderson *et al.*, 2014; Calantone *et al.*, 2002; Salavou, 2004). In the current quickly changing business world organizations compete with new ideas produced by their employees that can eventually develop into innovations. The role of organizational culture for innovativeness has been shown to be important in previous studies (e.g. Büschgens *et al.*, 2013; Martins & Terblanche, 2003; Mumford, 2000; Mumford *et al.*, 2002; Naranjo-Valencia *et al.*, 2011; Sarros *et al.*, 2008). Organizational culture can either promote or hold back the creative atmosphere, and it may provide the positive environment necessary for the invention of new ideas (Hult *et al.*, 2004; Martins & Terblanche, 2003). In particular, an extensive list of both antecedents and barriers to innovativeness have been recognized in prior research (cf. Anderson *et al.*, 2014). These studies have mainly listed a set of organizational features that are of relevance for innovativeness instead of discussing the nature, content and context of these features (Anderson *et al.*, 2014). Therefore, it can be said that the previous studies often simplify the characteristics of innovativeness by both making a dichotomy between antecedents and barriers and listing factors affecting innovativeness without a deeper explanation and understanding of these factors. Instead of repeating this dichotomous view and only listing the affecting factors, we argue here that the link between organizational culture and innovativeness is more multifaceted. For example, specific features of organizational culture might be both enhancers and hinderers of innovativeness. In this article, we focus on the ethical dimension of organizational culture, and specifically a virtue ethics framework (Kaptein, 2008; Solomon, 2004) is used to study the ethical culture of an organization and its meaning for organizational innovativeness.

The association between ethics and innovation has been discussed to some extent (e.g. Baucus *et al.*, 2008; Schumacher & Wasieleski, 2013). The importance of official rules and ethical codes for innovation in business has been shown (Fassin, 2000; Hull, 2000). Different ethical concerns related to fostering creativity in organizations (e.g. breaking rules, objecting to authority, creating conflict, and taking risks) have also been recognized (Baucus *et al.*, 2008). In their theoretical study, Schumacher and Wasieleski (2013) argued that an organization's innovation processes need ethical consideration in order to serve its long-term orientation. Riivari *et al.* (2012) and Riivari and Lämsä (2014) studied the link between ethical organizational culture and organizational innovativeness, and showed that especially the ethical virtues of congruency of management and supervisors can be important features for the innovativeness of the organization. These preliminary findings on the role of an ethical culture in organizational innovativeness suggest that an ethical culture is meaningful in supporting organizational innovativeness.

Since research has not yet systematically discussed how employees in organizations perceive the meaning of an organization's ethical culture in organizational innovativeness, more knowledge of the topic is needed (cf. Blok & Lemmens, 2015). Additionally, much of the previous research has been done using quantitative methodology (Novelskaite, 2014; Novelskaite & Pucetaite, 2014; Pučėtaitė *et al.*, 2014; Riivari *et al.*, 2012; Riivari & Lämsä, 2014). Qualitative empirical research, which is of interest here, focusing on the ideas, characteristics and practices related to an ethical organizational culture and innovativeness remains scarce in the field (cf. Brand, 2009; Büschgens *et al.*, 2013). With qualitative research it is possible to outline a more holistic view of the research phenomena than a questionnaire can offer. Especially when studying the ethical element of organizational

Organizational Virtues of Innovativeness  
Original article

culture, with qualitative research it is possible to discover the basic assumptions, attributes, and characteristics related to organizational culture that are situated on people's minds (e.g. Schein, 1996).

Therefore, this study adopts a qualitative approach and aims to reply to the following research questions: What is the meaning of ethical culture in organizational innovativeness? And more specifically: Which ethical virtues support organizational innovativeness? Which elements of these virtues are important for supporting organizational innovativeness? Which organizational practices are essential for the virtues that support organizational innovativeness? This study participates in the discussion of the ethical culture of organizations by deepening the knowledge and understanding of the meaning of ethical organizational virtues in organizational innovativeness.

The adopted virtue-based theory (Kaptein, 2008; Solomon, 2004) offers a theoretical viewpoint for this study to examine and increase our understanding of the ethical organizational culture that takes place in organizational practices. According to Collier (1998, p. 646), organizational culture is the medium by which organizational practices are understood and transferred, and ethicality in the organization can be found in these practices. In general, empirical examinations of virtue ethics in research on business ethics have been relatively limited, even though a gradual increase in interest in the topic has occurred (Ferrero & Sison, 2014). In particular, there is an urgent need for a more extensive application of the theory in practical situations (Dawson, 2015). From an organizational perspective, organizational virtues are not only listings of characteristics or traits but they are also about constantly practicing, developing and reformulating organizational ethical character (Chun, 2005).

In this study, the ethical culture of an organization illustrates the ethics of an organization, which guides the ethical behavior of organizational members (Key, 1999). In addition, ethical culture refers to an organization's ability to encourage its members to act ethically and avoid committing unethical acts (Collier, 1995, 1998; Kaptein, 2008; Treviño, 1990).

Organizational innovativeness is defined as an organization's behavioral tendency to produce innovative products and services for its customers (Baregheh *et al.*, 2009; Wang & Ahmed, 2004). Organizational innovativeness means an organization's ability to find and develop new ideas that might develop into innovations (Baregheh *et al.*, 2009; Lumpkin & Dess, 1996; Wang & Ahmed, 2004), and is therefore, an outcome of the skills and behavior of organizational members. Consequently, it is assumed here that organizational culture, such as an organization's ethical culture, has an impact on the attainment of outcomes in an organization such as organizational innovativeness, which in turn may produce innovations. In general, previous studies point out that the organizational culture affects various outcomes from the performance of organizational members, such as their productivity and quality of work, work satisfaction and organizational commitment (e.g. Brown, 1992; Dobni, 2008; Erdogan *et al.*, 2006; Giorgi *et al.*, 2015; Holtbrügge *et al.*, 2015; Lemon & Sahota, 2004; Martins & Terblanche, 2003; Sarros *et al.*, 2008; Zheng *et al.*, 2010).

This study makes the following contributions to research on ethics and innovativeness in organizations. First, the study aims to conceptualize the meaning of specific virtues of ethical culture in an organization in supporting organizational innovativeness. More specifically, the interest here is in employees' perceptions of the ethical virtues of an organization that they find meaningful for supporting innovativeness. In particular, it is shown that different virtues can be linked to innovativeness in various ways. So, from the viewpoint of the development

Organizational Virtues of Innovativeness  
Original article

of an ethical organizational culture, this study makes it possible to understand which virtues are critical in that development. Second, the study examines innovativeness from the virtue ethics perspective and criticizes the often-simplistic view of the features of innovativeness as enhancers or barriers. We add the virtue ethics perspective to the discussion of organizational innovativeness, and therefore, provide a more comprehensive view of the topic compared to seeing organizational culture as only an enhancing or hindering factor of innovativeness. Finally, as earlier empirical studies examining both ethics and innovativeness in the organization are still limited, this paper aims to study the topic empirically by adding a qualitative perspective. Even though some empirical, qualitative studies on virtue ethics in organizations do exist (e.g. Dawson, 2009; 2015; Manz *et al.*, 2011), very few of them have taken a stance that would shed light on the link between various organizational virtues and innovativeness. One example, which is rather close to this idea, is the study by Manz *et al.* (2011) that examined the role of shared leadership in promoting the sustainable performance of a virtuous organization. According to their findings, the creative process and valuing every organizational member seem to moderate the relationship between leadership and sustainable performance.

In the next section we discuss the theoretical background of this study: the virtue ethics approach and the concepts of ethical culture in organizations and organizational innovativeness as well as linkages between these. Subsequently, we will provide an overview of the research design. Based on empirical material consisting of 39 interviews from three specialist organizations, we then show how the ethical culture of an organization and specific ethical virtues enhance organizational innovativeness. Finally, we finish with the discussion and conclusion.



### **Theoretical framework**

#### *Organizational culture and virtue ethics*

Organizational culture has been studied since the early 1980s (Deal & Kennedy, 1982; Ouchi, 1981; Pascale & Athos, 1982; Peters & Waterman, 1982). Organizational culture affects the processes, procedures and interaction in the organization (Schein, 1985). An organization's own culture plays an important role in supporting ethical behavior and making its ethical values explicit (Sinclair, 1993). Prior research shows that organizations and their culture have a lot of power over ethical behavior in an organization (Hartman, 2013, p. 85) and the organization's culture has an important role in declaring and developing ethical values and behavior in the organization (Key, 1999; Sinclair, 1993). Organizational culture can support the good character of an organization, help define organizational values, provide role models and motivate people to act in certain ways in an organization (Hartman, 2013). Previous studies show that organizational culture has an impact on ethical decision-making (Fritzsche, 1991, 2000; Sims & Keon, 1999), and more specifically, expectations built in the organizational culture are relevant to ethical choices (Jones & Hildebeitel, 1995). According to Whetstone (2005, p. 367), Duska (2004, p. 40) argues that creating a culture where employees can participate and take responsibility is valuable in terms of productivity. Whetstone (2005) continues that this requires a practical culture of ethical awareness (Goodpaster, 2000). In this process, the role of organizational culture, leadership, and the relationships within the culture are the central focus (Whetstone, 2005). It has been argued that specifically the ethical behavior of managers (i.e. right, just, and fair courses of action) is essential for an organization's ethicality and their long-term success (Hosmer, 1994, 1997). Further, a recent study on integrity and leadership shows that transformational leaders engage actively in ethical behavior (Veríssimo & Lacerda, 2015).

In this paper, while studying the ethical culture of an organization, we draw upon a virtue-based theory of business ethics (Solomon, 1992b, 2004), which is based on Aristotle's theory of virtue. This approach examines both individuals and organizations as morally and socially responsible actors, and pays attention to both the features and actions of the actors (Ferrero & Sison, 2014). According to Solomon (1992b, 1999), not only individuals but also organizations have virtues, which help the organizations to act morally. According to virtue theory, organizations can be viewed as communities that sustain certain virtues through shared contexts that aim towards integrity and moral excellence. By doing so, an organization develops as a community and its members formulate and cultivate virtuous characteristics by fulfilling their responsibilities and contributing to the common good (Solomon, 2004).

Solomon (1999) emphasizes the importance of practices where ethics are concerned. According to Solomon, determined ways of doing things are critical to ethics, where practices refer to "a shared cooperative activity with mutually understood goals and ways of doing things" (Solomon, 1999, p. 32). Virtue makes reference to excellence, which refers to an ideal way of acting and doing (Solomon, 1992a). The core idea of the virtue-based approach to business ethics is that we should not focus only on individuals and their ethics but on different types of social actors, such as organizations, created by our communities (Solomon, 1992a). The virtue-based orientation can also be seen as a normative establishment of organizational culture and its characteristics (Whetstone, 2005). As virtue-based theory is built on the context and environment where the organization exists, and emphasizes the idea of modesty and the role of virtues as golden means (Kaptein, 2015; Solomon, 1999) that encourage organizational members to commit to ethical action and support the ethical values and objectives of the organization, we suggest that these elements should be taken into

Organizational Virtues of Innovativeness  
Original article

account when the ethical culture of organizations (ethical conduct, values, organizational practices and objectives) is discussed and studied (cf. Kaptein, 2008).

Ethics in organizations can be understood through the ideas of the good and the right, so that moral agents (e.g. organizations) seek the good (Collier, 1998). Evaluations of the good depend on the notions of purpose (Collier, 1998). The Aristotelian *telos*, flourishing, refers to doing everything well and therefore obtaining enjoyment and happiness. Aristotelian virtues are based on right actions. Organizational ethicality is located in the interaction between being, doing and becoming: “virtuous action is a natural consequence of the capacity for moral judgment and perceptions of the moral good of human flourishing, virtuous action in turn deepens and perfects the capacity of the actor to act virtuously” (Collier, 1998, p. 635). From the organization’s point of view, the virtue-based approach pays attention to the specific organizational environment and circumstances where organizational life is lived (Collier, 1998). Therefore, it is essential that organizations note and establish the idea of ethics in their everyday practices and processes so that they can aim to flourish in the future and achieve the potential that they have (Collier, 1998).

Organizational purposes are the starting point for organizational ethics (Collier, 1998). Purposes are realized in practices, so that organizational ethics is achieved through organizational practices. All practices have a structure, and they involve standards of excellence, obedience of rules, certain modes of performance, and strategies. Each of these elements is particular to each practice and they can be identified and understood by participating in the practice. Good organizational practices produce not only good products and services but also good people (Collier, 1998). The management of organizations can be understood itself as a practice, and therefore, it should be exercised as other organizational

Organizational Virtues of Innovativeness  
Original article

virtues (Collier, 1998; MacIntyre, 1985, p. 195). A collaborative and participative organizational environment is important when locating the achievement of the good. The ethical good can facilitate the achievement of the practical good (Collier, 1998.).

When creating and developing an ethical organization, it should be kept in mind that both ethical structures, such as the characteristics and cultural environment of an organization, and ethical individuals, are needed (Whetstone, 2005). Being a moral agent assumes the presence of virtues or moral excellence, and on the other hand, a lack of vice (Whetstone, 2005). According to Aristotle (2001), virtues are defined as characteristics that are intermediate between extremes and always belong in the mean. Hence, we propose that a reasonable, 'just right', level of certain ethical virtues, such as sufficient resources, support from colleagues and supervisors, and good working atmosphere, is needed for a virtuous organization.

*Ethical culture of an organization*

The ethical culture of an organization has been defined as an organization's ability to encourage its members to act ethically and avoid committing unethical acts (Collier, 1995; Kaptein, 2008). It includes the conditions, traditions, and practices of organizational behavior that either promote an organization's members' morally sustainable behavior or hinder it (Kaptein, 2008; Treviño & Weaver, 2003). Drawing upon virtue ethics theory, Kaptein (2008) states that the ethical culture of an organization builds on organizational ethical virtues that stimulate employees to ethical conduct.

In this article, the ethical culture of an organization is defined as the virtuousness of an organization (cf. Kaptein, 2008). Kaptein (2008, 2009, 2010) has developed a normative and multidimensional Corporate Ethical Virtues model (CEV) to describe the ethical culture of

Organizational Virtues of Innovativeness  
Original article

organizations. This model is based on the virtue theory of business ethics (Solomon 2000; 2004), according to which organizations must have certain features or virtues to be ethical. These ethical virtues provide the framework for ethical behavior in the organization and they can also be developed by organizations, although virtues as elements of organizational culture are not easy to change (Kaptein, 2009; Schein, 2010).

The ethical virtues model (Kaptein, 2008) consists of eight dimensions: *clarity, congruency of supervisors, congruency of top management, feasibility, supportability, transparency, discussability, and sanctionability*. According to Kaptein (2008, p. 924), the first three virtues “relate to the self-regulating capacity of the organization, the next two virtues to the self-providing capacity of the organization, and the last three virtues to the self-correcting or self-cleansing capacity of the organization”. This relates to the main idea of virtue ethics as being, doing and becoming: first, virtues enhance an organization’s mechanisms to be ethical; second, they support the understanding of the importance of ethics in the organization; and third, they support developing and maintaining ethical organizational behavior in the future. Therefore, we suggest that Kaptein’s (2008) model of the ethical culture of an organization should also include an element of development and organizational learning, since these themes are essential in virtue ethics theory.

The first virtue, *clarity*, is related to official expectations concerning the ethical behavior of employees; these expectations should be clear and legitimate (Kaptein, 2008). For example, the organization needs to make a clear distinction between ethical and unethical behavior. If there are no explicit rules concerning ethical conduct in the organization, there is a risk that unethical behavior will increase. The second and third virtues refer to the congruency of supervisors and of management. These virtues underline the importance of the supervisors’

and managers' conduct in the organization, and the fact that they act as role models of ethical or unethical behavior. Congruency implies that supervisors and managers should ensure that their own behavior is in line with the formal requirements of the organization. At the same time, they show other employees that they too should respect the shared expectations of the organization (Kaptein, 2008.). Congruency is related to the value of integrity, which has been defined as one of the main virtues of business ethics (Solomon, 1992a) and also noted as a pre-condition for trust development in an organization (Mayer *et al.*, 1995).

*Feasibility*, the fourth virtue, includes the resources, such as time, money, supplies, tools, and information, that an organization provides for its employees to make it possible for them to meet the official requirements (Kaptein, 2008). For example, a decent amount of money and other material resources has been found important for innovativeness (Amabile, 1988; Amabile *et al.*, 1996; Caniëls *et al.*, 2014), which demonstrates the idea of modesty in virtue ethics, although this idea has not been emphasized in previous creativity and innovation literature. *Supportability* is the fifth virtue. It refers to how the organization helps its employees to carry out normative expectations. It is important for the organization to encourage employees to identify and engage with its official expectations and to behave ethically. In practice, supportability means mutual respect, trust and shared ambition towards the common good in the organization. For example, it has been noted in previous literature that an adequate level of organizational support, such as feedback and evaluation, should be emphasized to enhance innovative behavior in the organization (Anderson *et al.*, 2014).

The sixth virtue, *transparency*, is related to employee awareness of the consequences of everyone's actions. It helps employees to understand what is expected of them in terms of ethical conduct and to take responsibility for their actions. For example, awareness and

Organizational Virtues of Innovativeness  
Original article

openness about the consequences of an employee's behavior towards colleagues, supervisors and subordinates is part of the virtue of transparency. The seventh virtue, *discussability*, refers to employees' opportunities to talk about ethical topics in the workplace. In practice, the organization should provide channels (e.g. team meetings, and round-table and un-official discussions) by which employees can also openly share their ideas, perceptions and experiences on ethically relevant topics. These discussion forums should allow individuals to discuss their moral concerns and consider possible mistakes as openings for learning, and providing constructive criticism and feedback.

Finally, the eighth virtue is *sanctionability*, and it refers to the punishment meted out for unethical conduct and the rewards given for ethical conduct. Kaptein (2008) argues that unethical behavior should not be accepted in any form, as it might lead to the further acceptance of such behavior, and ethical behavior should be fostered and rewarded. Defining an ethical organizational culture as the virtuousness of the organization has an explicit ethical element. Different virtues foster the importance of integrity when creating and maintaining an ethical culture in an organization.

*Organizational innovativeness and ethical organizational culture*

In the current literature, organizational innovativeness has been defined as an organization's willingness and ability to adopt and encourage new ideas, practices and procedures that may develop into innovations (Lumpkin & Dess, 1996; see also Wang & Ahmed, 2004).

Organizational innovativeness describes an organization's tendency towards innovation (Salavou, 2004). In general, innovativeness is a crucial factor in organizations (e.g. Lumpkin & Dess, 1996; Salavou, 2004; Wang & Ahmed, 2004) but it should be noted here that having innovativeness in the organization does not necessarily always lead to new or sustainable

Organizational Virtues of Innovativeness  
Original article

innovations. For example, innovativeness does not solely assure new innovations or products (Garcia & Calantone, 2002; Subramanian & Nilakanta, 1996), and being innovative can require ethically dubious features such as breaking the rules, creating conflict and taking risks (Baucus *et al.*, 2008).

Organizational innovativeness is closely linked to an organization's objective of being successful, as ideas are developed into new products, services or processes (Baregheh *et al.*, 2009). Organizational innovativeness requires people who are able to collaborate, share and integrate their knowledge and expertise (Belbin, 1981; Roberts & Fushfeld, 1981; Van de Ven, 1986). In this study, organizational innovativeness is defined as the ability to find and promote new ideas in the whole organization, and the atmosphere and conditions that are there before any actual innovations materialize (Baregheh *et al.*, 2009; Wang & Ahmed, 2004).

The word innovation derives from the Latin word *novus* or *new*, and could also be defined as “a new idea, method or device” or “the process of introducing something new” (Gopalakrishnan & Damanpour, 1994, p. 95). The first of these definitions views innovation as an outcome (e.g. Damanpour, 1991) and the second as a process (Sarros *et al.*, 2008). In this study, we view innovativeness as an outcome of organizational elements (cf. Sarros *et al.*, 2008; Wolfe, 1994), namely the ethical culture of an organization. This perspective is also supported by prior research where an organization's culture has been viewed as an essential determinant of innovation (Ahmed 1998, p. 31; Damanpour, 1991; Scott & Bruce, 1994) and innovativeness (e.g. Brown, 1992; Erdogan *et al.*, 2006; Martins & Terblanche, 2003; Schumacher & Wasieleski, 2013).



Organizational Virtues of Innovativeness  
Original article

Martins and Terblanche (2003) discuss the importance of organizational culture and specific cultural characteristics, such as strategy, structure, support systems, open communication and behavior that encourages innovation, for organizational innovativeness. They found that values, norms, and beliefs, which are central elements of organizational culture (e.g. Schein, 1985, 2010), can either support or hinder the innovativeness of the organization as they affect the behavior of the organization's members (Martins & Terblanche, 2003).

Mumford (2000) examined the human resource management strategies that support creativity in the organization and also discusses the importance of the organization's own culture and cultural values for the organization's ability to attract creative and capable employees to the organization, and therefore, the whole organization's ability to innovate. In addition, Mumford et al. (2002) stress the importance of an organizational climate and culture that encourages employees to be creative and generate new ideas. They especially emphasize the importance of support from leaders in creating an innovative organizational environment. Sarros et al. (2008) examined organizational innovativeness as an outcome from two organizational elements – transformational leadership and organizational culture – and found that organizational culture mediates the role between leadership and organizational innovation. In their empirical study, Naranjo Valencia et al. (2011) studied organizational culture as a determinant of organizational innovativeness and found that organizational cultures can both support (ad hoc cultures) and inhibit (hierarchical cultures) innovation. They suggest that in order to enhance organizational innovativeness, organizations should foster a culture with external and flexible orientations, and focus on values, beliefs and assumptions that are coherent with adhocratic cultures.

Organizational Virtues of Innovativeness  
Original article

In their meta-analytical review on organizational culture and innovation, Büschgens *et al.* (2013) found that organizational values derived from the Competing Values Framework (control versus flexibility, internal versus external orientation, and organizational means and ends) are essential when an organization aims at innovation. They suggest that management should especially pay attention to the type of organizational culture they want to build and support in order to foster the organization's ability to innovate. They also note that even if it is generally accepted that culture is positively related to innovativeness, some results show contradicting results with this idea (e.g. Dougherty & Heller, 1994; Flynn & Chatman, 2001). It might be, for example, that hierarchical organizational culture decreases the organization's innovativeness, but on the other hand, that type of culture can result positively in other organizational goals, so that organizational cultures *per se* are not just simply good or bad (Büschgens *et al.*, 2013).

In addition, previous research has shown that good interpersonal relations between organizational members, the good quality of employee relationships, and trust, are central features in supporting organizational innovativeness (Scott & Bruce, 1994; Zakaria *et al.*, 2004). Such organizational related phenomena as employee satisfaction and well-being, manager behavior, mutual trust between leader and subordinate, and honesty, have been found to be important elements for creating and supporting organizational innovativeness (Chun, 2006; Ellonen *et al.*, 2008; Huhtala & Parzefall, 2007; Hult *et al.*, 2004). Baucus *et al.* (2008) also emphasize the meaning of mutually shared organizational conditions, and mention empowerment, resources, freedom to fail and organizational environment as important conditions for an innovative atmosphere in the organization.

Organizational Virtues of Innovativeness  
Original article

In general, it has been noted in previous literature that ethical aspects are seldom included in the innovation process (e.g. Blok & Lemmens, 2015). However, such ethically relevant elements as transparency, interaction and mutual knowledge sharing play a critical role in innovativeness (Blok & Lemmens, 2015). These factors are all also related to the ethicality of the organizational culture, more specifically to the virtues of *transparency*, *discussability* and *supportability*. In addition, the ethical culture of an organization can foster organizational innovativeness by strengthening employee identification with the organization, and fostering open communication and cooperative behavior among organizational members. Generally, organizational culture supports individuals in internalizing organizational values by influencing employees through different socialization and control processes (Bandura, 1971; Büschgens *et al.*, 2013). An ethical organizational culture fosters organizational members' perceptions of safety, recognition, and appreciation for their work and their contribution in the organization. This can promote employee creativity, willingness to share information and ability to work with others and on their own (Park, 2005), and further lead to competence that enhances organizational innovativeness.

Virtues have been also noted among previous studies of organizational innovativeness. Chun (2006) has suggested that innovativeness should be seen as a business virtue that requires virtuous antecedents but also supports and creates a virtuous circle. When innovativeness is set as an objective in an organization and it is courted by following ethical values similar to the employees' personal values, organizational members can relate to positive moral emotions (e.g. respect for and pride in the organization and oneself), as they can relate to and act according to the clearly established responsibilities (Malti & Latzko, 2012). As the study by Huhtala *et al.* (2013) shows, an ethical organizational culture can direct the managers' personal goals to more social and prestige-oriented ones, such as obtaining recognition and

Organizational Virtues of Innovativeness  
Original article

appreciation from other organizational members and society at large. Positive emotions can motivate employees to utilize their professional knowledge and expertise for the best of the organization and, in addition, engage in practices and processes that enhance organizational innovativeness.

Although prior research on the role of an ethical culture in an organization in promoting organizational innovativeness is still scarce, some premises on the effect of ethical conditions on organizational innovativeness can be found. In their conceptual study, Schumacher and Wasieleski (2013) argue for the importance of ethics in innovativeness, especially when innovativeness and organizational sustainability are appreciated in the long run. A study by Fernandez and Moldogaziev (2012) supports the idea that employee empowerment and innovativeness are related. Their findings indicate that empowerment, which connotes the ethical organizational virtues of clarity, transparency, discussability, feasibility and supportability, is related to organizational innovativeness, as empowered employees can adjust and improve working processes. Therefore, this supports the idea that ethical organizational culture and ethical virtues support organizational innovativeness. This proposition is also supported by the study by Brettel et al. (2014), who used the Competing Values Framework to study the relationship between organizational culture and innovativeness as a part of entrepreneurial orientation. Their findings imply that team culture including characteristics of cohesion, trust, and loyalty (i.e. the values that are represented by supportability, discussability, and transparency in the CEV model) will affect organizational innovativeness.

According to Hansen (2011), the management of the organization has a lot of influence on the innovativeness of the organization as they hold the formal and symbolic power in the

organization. Management can investigate the environment for new ideas and bring them into discussions in the organization. In this way, the management is able to inspire organizational members to adopt new ideas, which is then followed by innovativeness. Management can also act as role models and encourage employees to be innovative by their own example. Management can enhance a culture of learning and dialogue by giving feedback and using the experience and professional knowledge of specialists, and therefore, encourage innovativeness. Previous empirical research about the linkages between ethical culture and organizational innovativeness has provided positive results (Riivari *et al.*, 2012; Riivari & Lämsä, 2014). They suggest that the virtue of *congruency of management* has a special role in organizational innovativeness. Hence, we propose that *congruency of supervisors* and *congruency of management* may be perceived as especially meaningful virtues for supporting organizational innovativeness.

## **Research methodology**

### *Research context and interviewees*

In this study we chose a qualitative approach to investigate the topic using open-ended in-depth interviews conducted individually with each interviewee. The empirical material consists of 39 semi-structured interviews from three Finnish specialist organizations. In these interviews the participants could share in detail their perceptions, ideas and experiences about organizational innovativeness and various good and bad practices promoting or hindering innovativeness. The organizations belong both to the public (Organization A) and the private sector (Organizations B and C). All the organizations operate in Finland, but Organization C's business area also includes the Nordic countries and Eastern Europe. Organization A is a large public sector organization, Organization B is a medium-sized private sector

Organizational Virtues of Innovativeness  
Original article

organization, and Organization C is a large private sector organization. Both, Organizations B and C operate in industrial services.

The following criteria were used in the selection of sample organizations. First, they are all specialist organizations in their own field, having highly educated employees with specialized knowledge and expertise. All three organizations emphasize the importance of innovativeness, renewal and creativity in their objectives and strategies. Their highly educated employees are expected to develop and update themselves. Second, all the organizations share similar values and strategic objectives: themes like openness, equality, reliability and fairness, innovativeness and responsibility are emphasized in each organization. All three organizations declare the importance of fairness in their activities towards employees and other stakeholders. They also emphasize the importance and value of expertise and skilled employees and they want to provide a motivating working atmosphere and good opportunities for their employees in terms of development and training. Consequently, all organizations shared publicly a common idea that ethical and moral values are essential to their operation. At the time of the research none of the organizations had any official ethical standards or ethical codes. However, ethics as a theme was formulated as one of the principles in their organizational strategy.

The youngest interview participant was 27 years old and the oldest 63. Twenty of the interviewees were men and 19 were women. Twenty-one of the interviewees were working in supervisory positions and 18 worked in specialist positions. All interviewees were highly educated, with either a university (34/39) or a vocational (5/39) degree. Purposeful sampling was used as criteria for selecting these interviewees as is generally accepted in qualitative research (Eisenhardt, 1989; Patton, 2002). The main criteria for selection was that the

interviewees represent their organizations' personnel well in terms of gender, position in the organization, and education (cf. Riivari & Lämsä, 2014). Anonymity was guaranteed for the interviewees and the respondents are referred to below using a random numerical codes (1–39).

### *Interviews and Analysis*

The interviews lasted from half an hour to nearly two hours, amounting to over 43 hours of material in total (468 pages of transcribed text). A contact person in each organization assisted us with the selection of interviewees. The contacts made it possible to visit each organization personally and inform the employees of the study and inquire about the possibility of their participation in the interviews. After these initial briefings, the contacts provided us with information about who had volunteered and how to contact them, and we then contacted the interviewees individually.

The interviews were carried out face-to-face, recorded, and later transcribed. The semi-structured interviews consisted of general open-ended questions. The interview was divided into three parts, the first of which consisted of questions about ethical organizational culture, the second of which concerned the interviewees' ideas about organizational innovativeness, and the third consisted of questions related to the relationship between managers and employees. The analysis presented in this article focuses on those sections of the interviews that make reference to organizational innovativeness.

Qualitative content analysis was chosen as a method because it provides a systematic procedure for coding and classifying themes from the text content (Hsieh & Shannon, 2005). Content analysis is a classical method of text analysis and it is appropriate for categorizing

and summarizing material (Krippendorff, 2013; Weber, 1990). The ATLAS.ti software program was used to support the text analysis. First, we carefully read the interview transcripts several times, and marked quotations (sentences and longer parts of texts) with separate condensed meaning units representing a specific idea, and labeled these units accordingly (e.g. ‘supervisor has an important role in promoting innovativeness or ‘we aren’t afraid of failures in uncertain situations’). After that we read all the condensed meaning units repeatedly, reviewed how well their labels depicted their content, modified the labels if necessary, and shortened the condensed meaning units to shorter codes (e.g. ‘supervisory’ or ‘autonomy’). In this coding and sorting, the focus was on the interviewees’ perceptions of ethical virtues that make it possible to be innovative in the organization.

## **Findings**

The focus of this study is on the four ethical organizational virtues that the interviewees perceived as meaningful for organizational innovativeness. These virtues – (1) Feasibility, (2) Discussability, (3) Supportability, and (4) Congruency of supervisors and management will now be discussed in order to present the findings of the study.

### *Feasibility*

The interviewees indicated that resources, especially in their case, time, were essential elements to enhance organizational innovativeness. The interviewees reported that there has to be enough time to complete tasks in a way that can be regarded as what was promised. Hurrying and busy-ness was understood not only as an unethical way of acting but also a barrier to innovative behavior. An element that was perceived critical in this sense was that employees have the opportunity and a sense of sufficient time for her/his tasks. The



Organizational Virtues of Innovativeness  
Original article

interviewees emphasized that when specialists have a chance to be and feel responsible for their own timetables and schedules, they can find their own best ways to solve problems and find new solutions at work. Even if the work as a specialist usually includes elements like independence and autonomy, it was emphasized that, in particular, when innovativeness is set as an objective of an organization it is extremely significant that enough time to develop new ideas and solutions exists, as the following examples illustrate:

*Of course, the tight use of time and other resources eat the innovation out. Even if we could innovate and therefore do things better and quicker and maybe with fewer resources but if we don't have any chances to innovate, time, we struggle with the issue. Kind of a treadmill. (12)*

*Well of course, that we have enough time [to innovate]. That we wouldn't have to choose the most important task, as we typically have to. Then we don't have the time to be innovative. Or even if you would invent some idea, it would require time to implement that and that we don't... Exactly that we would have enough time to implement this invention or new idea. (28)*

The respondents showed some criticism towards the practices of time management in their organizations. Not all interviewees felt that there is always a chance to take as long as it takes to create new ideas, but instead there is a constant rush and a necessity in the organization to do things in a certain way that was not considered as the optimal solution. According to the interviewees, a crucial issue in time management is that continuous updating of new software and technical systems requires a lot of time, and usually that is taken away from other tasks

Organizational Virtues of Innovativeness  
Original article

and the development of current work. This was experienced as problematic not only in relation to innovativeness but also to the quality of work in general.

A relatively broad job description, which refers to an individual employee's opportunities to do the work independently, and allows flexibility in time arrangements (e.g. helps to sketch one's own timetables for solving problems and thinking through new solutions properly as one feels the best) was found to be important in organizational practices to maintain the virtue of feasibility, so that the self-providing capacity of the organization supports innovativeness and is constantly developing. The interviewees also indicated that in addition to having enough time and autonomy, other types of resources such as sufficient tools (e.g. technical systems, software and programs), supplies and information were meaningful resources for innovativeness. This is illustrated in the following example:

*I think we have enough of all these tools and supplies. I mean all these different kinds of IT tools and programs. And that oneself can have an open mind and is able to think. Instead of being the one who holds things up. (35)*

The interviewees reported that the right knowledge and information supports their professional competence (e.g. knowing official rules, instructions and special characteristics and requirements related to the field), which improves innovative behavior and is a significant basis for professionalism in knowledge-intensive work. It was also noted that from the innovativeness point of view it is not always the best solution to accommodate old knowledge and related routines, but even more important for innovativeness is to be able to find new knowledge and try new working methods. The interviewees emphasized that it is important for employees, both from the innovativeness and value-laden point of view of

Organizational Virtues of Innovativeness  
Original article

professionalism, to have chances to develop competences and participate actively in human resource development and other organizational development practices (e.g. professional education) to maintain and expand professional knowledge.

Finally, the interviewees described that in knowledge-intensive organizations, where knowledge creation is crucial for success, professionalism and excellence at work requires from employees that they be ready not only for continuous learning but also open to new social contacts and networking that can act as valuable resources to promote organizational innovativeness. In particular, knowing one's colleagues and subordinates was mentioned as a vital element in social networking in the organization. From the organization's point of view, organizing various communication channels and providing forums for social networking and knowledge sharing could enhance innovativeness.

In sum, the findings showed that decent resources, particularly time, autonomy and professional competence, seem to be meaningful elements of feasibility that support organizational innovativeness in the studied specialist organizations. In addition, social networks and particularly opportunities for knowledge sharing between organizational members was perceived as an element that contributes to innovativeness. By "decent" the interviewees meant that there should be enough, not too little or too much, time and autonomy as well as adequate tools and supplies to promote innovativeness. Sufficient resources allow the employees to complete their tasks ethically and well, and furthermore, make it possible to create new ideas and innovate. In professional competence, decency refers to the context and content of the competence, so that deeper knowledge and competences are required in the specialist area of individual employees, while more general knowledge and competence may be sufficient for handling general tasks. This is also in line with the one of

Organizational Virtues of Innovativeness  
Original article

the basic ideas of virtue ethics theory that argues for the importance of the context where the virtues are actualized. Such organizational practices as organizational and human resource development and organizing different forums for knowledge sharing and social networking were found to be essential in supporting organizational innovativeness.

*Discussability*

The interviewees indicated that opportunities to discuss openly with colleagues in the organization, and obtain feedback and support from other members of the organization were essential features for innovativeness. The interview participants emphasized that open sharing of thoughts with other organizational members, such as colleagues, in a safe and trusting environment should be possible, so that one can participate in discussions and bring up new ideas in the organization. Even though the virtue of feasibility stresses the role of social contacts and networking as important resources for innovativeness, the respondents put emphasis specifically on the importance of trust in the relationships and networking when the virtue of discussability was discussed. In other words, in addition to various forums and opportunities for social contact and knowledge sharing, it is significant according to the interviewees that the conditions of the social contact and knowledge sharing include the atmosphere of trust, since in such an environment novel ideas can be discussed without fear. These ideas of open discussions and opportunities to share thoughts openly and honestly with other people refer to the organizational virtue of discussability. The following quotes illustrate the role of open discussions in the organization to support information sharing and the freedom to present ideas without fear of being punished, which is perceived important to innovativeness.

Organizational Virtues of Innovativeness  
Original article

*These new ideas are accepted and that they are not rejected right away. At least in our team we have a really good team spirit and we can openly discuss if someone has an idea. And develop that idea. You can never know if the idea is good and successful or not, but we don't have any punishments if the idea fails. If it did not turn into anything special. We have positive attitude at least in our team. (25)*

*You have to have sensitive antennae with all people. That you discuss with many different individuals, that you don't get stuck with your own little talking group. And do not barricade yourself into this tower. (31)*

*I send a message to my people that now we have agreed about this [in the management group]. And many times we discuss these decisions with the teams because one message doesn't explain everything. So that these decisions would be applied in practice, too. I don't suddenly remember any case that would have been totally rejected. (24)*

The interviewees indicated that discussions that emphasize open-mindedness, interest in new ideas and in developing them, seeking information in novel ways and constantly improving the way things are done include the requisite elements in an organization to develop organizational innovativeness in a way that was regarded good and appropriate. It was emphasized that it is essential that organizations create conditions, situations and an open atmosphere so that employees can try new things and share their ideas, as the following quotes illustrate:

Organizational Virtues of Innovativeness  
Original article

*Well it is kind of like flexible thinking, that you are ready to greet new ideas and produce them yourself and act in a new way, not rejecting them immediately, a kind of openness. (11)*

*I had team meetings with these little teams, five or six specialists in one team. I had a list of questions and these discussions were very productive. They gave me something to bring to the management group, such as these objectives and aims. Then we started to ideate that we could arrange this kind of a team-walking day. Since these teams have worked together for a very long time, we could mix up these teams so that they could compare and share their working methods. (29)*

The interviewees brought forth that there should be sufficient opportunities to share ideas and discuss different topics. For example, too little openness and knowledge sharing might lead to getting stuck in a rut, and on the other hand, too much discussability might not provide any concrete ideas to address. However, according to the interviewees, not all employees in the organization are anxious to share their good working practices or to change their old habits, which can be seen as a challenge for both ethical behavior and innovativeness in the organization. Further, the respondents mentioned that having an open environment for all kinds of discussions does not self-evidently mean that new ideas, inventions or processes are developed. It was brought out that in addition to discussing and sharing new ideas, innovativeness also requires open-minded, devoted and industrious people to develop the ideas further and bring them into practice. The interviewees described that if employees are not open to new ideas, the expectation of creativity and innovativeness should not be too high either. The following quotes represent the challenges of being open to new ideas in the organization:

*Of course openness and the flow of information in the whole organization is important. - - I think open discussion and bringing up issues are essential. If we don't succeed in that then there is no point in expecting anything else. If the first answer is that we have already tried that in the 1960s, forget the whole idea, it doesn't work. If that is said a few times it is useless to expect anything. (32)*

*When we discuss these things together, there is somebody that says: "No way are we doing this. We have never done it like this." But we have quite many people who think that we should change our working methods now, to be different. And that should be the way we could make our impression more tangible. (31)*

The abovementioned elements of discussability, which the interviewees emphasized, refer to the self-correcting capacity of the organization. Therefore, the studied organizations can develop their activities so that innovativeness can be possible in the future, when the elements that were experienced as crucial to discussability are included in organizational practices. For example, organizations could provide discussion channels and forums for employees to share their ideas and obtain feedback. In addition, supporting organizational learning both at the level of individual employees and among teams in the organization could promote organizational innovativeness.

In sum, the interviewees emphasized the role of mutual, honest and reliable discussions, and interest in novel ideas and their continuous development as well as open knowledge sharing in the organization as meaningful elements of the virtue of discussability that enhance innovativeness. From the organization's point of view it seems to be essential for the virtue of

Organizational Virtues of Innovativeness  
Original article

discussability that the organization provide opportunities for its members to share their ideas and develop them together in a safe and open environment where trusting relationships prevail. Organizational practices that were seen to support this virtue are various discussion and feedback forums as opportunities for organizational members to get together to share ideas and obtain feedback from others in the organization. Organizational learning is needed both in and among teams in the organization, and this could be promoted via different types of technical systems and processes in the organization, for example.

*Supportability*

The interviewees underscored that a good and encouraging work atmosphere is an essential element of the virtue of supportability in promoting innovative behavior in the organization. The findings show that it is not enough that open discussion and related practices are made possible and used, but it is also important that a positive atmosphere, albeit with a constructively critical attitude in the workplace and productive cooperation and discussion among the organization members prevail so that innovativeness can be achieved. The following quotes stress the importance of good working atmosphere for innovativeness:

*I've always told to my colleagues that we are going to be here eight hours a day messing with each other. We need to live here in a way that we can be glad when we come to work in the morning, that we don't feel awkward when we get here.*

(21)

*Many times it feels like those good ideas are just a coincidence. You can't decide that we use that day for innovating. It doesn't work like that. It's a lot about the*



*culture and atmosphere. So that the culture allows that kind of horizontal thinking. (1)*

Having congenial people working together was perceived as important so that employees could encourage each other and suggest new solutions and innovative ideas in the organization. For example, on the one hand, having an encouraging atmosphere so that people are inspired to try something new was found essential; on the other hand, the atmosphere should also allow missteps or oversights so that employees are not afraid of getting into trouble when creating new ideas. The following quote highlights this notion:

*We have people, also very innovative people here, so that there are a lot of new ideas. Of course they also give us encouragement, they make good suggestions. It makes things work, so that people get into things and start developing them. (15)*

The interviewees also indicated that it is not always important to be positive towards every new suggestion but rather being constructively positive towards new ideas is more meaningful for innovativeness. Being constructively positive towards new ideas means that the ideas can be both openly discussed and criticized. The interviewees described that an overly positive atmosphere and an “anything goes” attitude might not always be positive for innovativeness as that kind of critique-less atmosphere might not support the best possible ideas and results. On the other hand, the interviewees pointed out that if a positive and open atmosphere for innovativeness is lacking, it might also hinder new ideas because of the general negative attitude that “nothing ever improves or gets better here”. Therefore, supportability and the element of having an open and positive working atmosphere follows

Organizational Virtues of Innovativeness  
Original article

the idea of decency or a golden mean in virtue ethics, as was highlighted by the following interviewee:

*Support from colleagues is pretty important, too. Fortunately, we don't have too much competitive spirit or something like that here. It would be something if your colleague would trip you up when you would be going forward or ideating something new, or that there would be a dispute. We don't have anything like that. (37)*

In addition, as was also highlighted when focusing on the virtue of discussability, the participants indicated that trust among the organization's members was a meaningful element of supportability that advances innovative behavior. The interviewees described that building trust in the organization takes time and effort. So, a trusting working atmosphere and also the opportunity to be critical were found to be essential in supporting innovativeness so that employees know that nobody will "trip you up or pull the rug from under your feet" (30). Finally, the interviewees described that there should be just the right amount of support, guidance, cooperation and criticism among organizational members to promote innovativeness in the organization. It does not have to be continuous guidance or monitoring but rather providing support when needed. The following quote illustrates the importance of having adequate, not too much or too little, support to be innovative:

*The support [from colleagues and supervisors] doesn't have to be daily or constant guidance but rather giving free rein and trust to do certain things. And when you need, you have the opportunity to ask and get detailed guidance. (13)*

Organizational Virtues of Innovativeness  
Original article

In summary, the interviewees underlined the importance of supportability and especially a positive, cooperative, trustful and constructively critical working atmosphere as significant elements of supportability that promote innovativeness. According to the interviewees, the working atmosphere should be decently supportive, so that just-the-right-amount of support in the organization exists. This will enhance innovativeness. In addition, the interviewees described that if people are not willing to try new things or leave existing routines, even if appropriate elements of supportability prevail in the organization, innovativeness might not occur. An organization can develop supportability by paying attention to such organizational practices as workplace development and building trust in the organization, which aim to enhance a positive and constructively critical, balanced work community to encourage innovativeness in the organization.

*Congruency of supervisors and management*

With regard to leadership, the interviewees indicated that support from the leader was a valuable element of the virtue of congruency for organizational innovativeness. For example, if a specialist had a more challenging job that required more time than usual, it was found indispensable that the supervisor provided support, but also real factual help for completing the challenging task well and successfully. In addition, the interviewees indicated that such features as encouragement and trust from the leader are essential in innovative behavior, so that giving an employee free rein would provide the opportunity to be creative and do things in one's own way. Shortly put, in general good leadership was found to be the "*key to everything*" (21).

The interviewees emphasized the meaning of a leader's positive attitude regarding new ideas as a positive element of congruency in promoting organizational innovativeness. Even if the

Organizational Virtues of Innovativeness  
Original article

main operations of the organization were controlled by laws, official rules and guidelines, the interviewees described the leader's broadmindedness, inspiration and encouragement of development and trying new things as crucial. Thus, the example and role modeling of leaders were found essential for innovative behavior. It was seen as a precondition that supervisors in the organization show by their own example how to act innovatively and be creative in a good and responsible way, so that employees "*get the impression that I have to do this too*" (15).

Valuing support from the leader as an element of the virtue of congruence, which supports innovativeness, might be related to the nature of the professional work they complete in the specialist organizations. The interviewees indicated that there are a lot of tasks that are dependent on individual employees' way of solving problems and completing tasks, but on the other hand, there is always a supervisor who has the responsibility that the tasks are completed in a certain time frame and according to certain rules. The following comment depicts this well:

*One thing is the attitude of my supervisor. How s/he responds to the ideas that I suggest – that the supervisor accepts my ideas. Listens and gives me the chance to act.* (33)

In leadership, being honest, fair, encouraging, reliable and trustworthy was emphasized as necessary elements of the virtue of congruence for supporting innovativeness. The interviewees indicated that the leader should be able to give support, encourage, and treat her/his subordinates equally, but on the other hand, there should not be too much support or encouragement so that employees still feel that they have the autonomy to do their job.

Organizational Virtues of Innovativeness  
Original article

Again, this notion follows the idea of decency and virtues as golden means from Aristotelian ethics. The following example illustrates the potential that there might also be challenges related to the relationship between the leader and subordinate when it comes to ethics and innovativeness:

*Is it from respect towards the leader, that people do not produce those new ideas or is it out of fear of leader? Or do people think that this is the leader's job, we should not interfere. (29)*

These leadership features mentioned above (e.g. encouragement, equality, fairness, supportiveness, motivating others) are typical characteristics of transformational leadership (e.g. Bass, 1991; Bass & Steidlmeier, 1999; Bass *et al.*, 2003). Typically, transformational leadership (e.g. Avolio *et al.*, 1999; Bass & Steidlmeier, 1999) is characterized by four components: idealized influence (vision, confidence, high standards for emulation), inspirational motivation (providing followers challenges and meanings to engage in shared goals), intellectual stimulation (incorporating an open design and dynamic into processes of situation evaluation, vision formulation and patterns of implementation), and individualized consideration (treating each follower as an individuals, providing coaching, mentoring and growth opportunities) (cf. Bass, 1985). As presented above, the interviewees perceived these elements of leadership practices as crucial for supporting organizational innovativeness. Therefore, according to the interviewees, to be able to advance innovativeness, the virtue of congruency of supervisors seems to require leadership behavior that has characteristics from transformational leadership.

Organizational Virtues of Innovativeness  
Original article

The respondents suggested that sometimes a leader could also be a barrier to innovativeness in the organization. It is easy to speak about ethicality and innovativeness and emphasize these topics in speeches and official statements, but it is not an easy task for an individual supervisor to encourage one's subordinates, who work as professionally very competent specialists in a certain field and specific topic, to be innovative. The interviewees noted that it is not possible to command anyone to be innovative. This notion brings up the challenge or even dilemma in the supervisor's role in a specialist organization: on the one hand, supervisors are expected to show transformational leadership behavior, but at the same time it is not self-evident that each supervisor might have all those skills and can use them well and wisely. For example, the interviewees described how the supervisor might have a lot of creative and new ideas for how to develop the organization or employee competences but s/he might lack the ability to instruct and guide others and view the general picture. These features could be developed in the organization through leadership development practices and training targeted specifically at supervisors.

In general, the idea of innovativeness and how it is created, maintained and developed in the organization was perceived as quite traditional, top-down, in nature. Interviewees described how values, instructions and feedback mainly come from the top down in the organization.

The following comment stresses this idea:

*And one's own management needs to act as role models. That it goes down from the top, for us to be able to trust. (34)*

Trust in the management might support an innovative atmosphere, but on the other hand, the interviewees also described how the conformism and orthodoxy of the top management might

sometimes hinder innovativeness in organizations. Or, there might be innovative ideas among the top management but applying them into practice and completing new projects might be the actual challenge, as the following comment illustrates:

*The manager has had opportunities to be innovative but it feels as though completing the task at hand does not get that much attention. (28)*

In addition, the interviewees indicated that well-articulated objectives and precise guidelines in the organization were essential for setting clear aims for the organization and for innovativeness. However, the interviewees indicated that strict rules set by the top management could also be a challenge regarding innovativeness. Clear rules and standards help employees act in expected ways, but on the other hand, overly strict rules that bring everything into line may work against this. The following quotes illustrates this challenge:

*Well yeah, this is maybe against the innovativeness this kind of, as efficient as possible, integration of processes and procedures. If there is a certain way to act in one unit, so then the same model is tried to adapt in every unit. "Let's work like that so that we get the same operations model in everyplace". Then it might kill the innovativeness a bit. (12)*

In sum, the interviewees perceived the role of congruency, especially the elements of transformational leadership behavior in the supervisors and support from the top management, as essential in enhancing organizational innovativeness. As the interviewees described, the intensity of the support and encouragement from a manager is significant. The virtue of congruency should also be at an appropriate level, so that employees receive a

reasonable level of support when they need it to promote their innovative behavior. The results show that completely free reins or overly strict monitoring might hinder innovativeness. Finally, the role of the management and executive group of the organization was perceived as a requisite for developing and creating new ideas and innovativeness in a way that might finally end up as new innovations, work processes, or products, for example. From the congruency point of view, the capacity of managers to maintain and develop this virtue in the organization is achieved through such organizational practices as management and leadership development and education that can raise the ethical awareness of the managers and provide guidelines for their ethical behavior.

### **Summary of the results**

Although interest in ethics and innovation has stirred recently, little research has addressed the meaning of the ethical culture of organizations for organizational innovativeness. Table 1 presents a summary of the results according to the research questions.

First, the findings of this study show that the virtues of feasibility, discussability, supportability and congruency support organizational innovativeness. This is presented in the first column in Table 1. Second, this study examined the elements of these virtues that are important in supporting organizational innovativeness (second column in Table 1). Adequate resources, such as time, autonomy, tools, supplies and information, and sufficient professional competence, were found to be essential elements of the virtue of feasibility, which then enhances innovativeness. In regard to the virtue of discussability, open discussions and sharing ideas among organizational members, and feedback from other organizational members, were found to be those elements that support organizational



Organizational Virtues of Innovativeness  
Original article

innovativeness. In regard to supportability, a cooperative, trustful and constructively critical working atmosphere, in addition to trust among organizational members, were those elements essential for innovativeness. Finally, transformational leadership behavior and support from the top management were found to be the crucial elements of the congruency of supervisors and management that enhances organizational innovativeness.

Table 1. The meaning of ethical culture in organizational innovativeness

<i>Which ethical virtues support organizational innovativeness?</i>	<i>Which elements of these virtues are important for supporting organizational innovativeness?</i>	<i>Which organizational practices are essential for the virtues that support organizational innovativeness?</i>
Feasibility	<ul style="list-style-type: none"> <li>– Adequate resources at work (e.g. time, autonomy, tools, supplies, information)</li> <li>– Sufficient professional competence</li> </ul>	<ul style="list-style-type: none"> <li>– Time management</li> <li>– Human resource development</li> <li>– Organizing communication forums and channels for social networking and information sharing</li> </ul>
Discussability	<ul style="list-style-type: none"> <li>– Open discussions and sharing of ideas among organizational members</li> <li>– Feedback from other members of the organization</li> </ul>	<ul style="list-style-type: none"> <li>– Organizing discussion and feedback channels and forums</li> <li>– Supporting organizational learning</li> </ul>
Supportability	<ul style="list-style-type: none"> <li>– Supportive, cooperative, trusting and constructively critical working atmosphere</li> <li>– Trust among organizational members</li> </ul>	<ul style="list-style-type: none"> <li>– Organizational development</li> <li>– Building trust in the organization</li> </ul>
Congruency of supervisors and management	<ul style="list-style-type: none"> <li>– Transformational leadership behavior</li> <li>– Support of the top management</li> </ul>	<ul style="list-style-type: none"> <li>– Management and leadership development and training</li> <li>– Increasing ethical awareness among supervisors and managers</li> </ul>

Finally, this study examined organizational practices that are essential for the virtues that support organizational innovativeness. As the results in the third column in Table 1 show, time management, human resource development, organizing communication and feedback channels and providing discussion forums, accommodating organizational learning, building trust in the organization, and providing management and leadership development and training

Organizational Virtues of Innovativeness  
Original article

are those organizational practices that were found to be crucial for the ethical organizational virtues of feasibility, discussability, supportability and congruency that support organizational innovativeness.

### **Discussion**

In line with previous research findings (Huhtala *et al.*, 2011; Huhtala, 2013; Huhtala *et al.*, 2015; Kangas *et al.*, 2015; Kaptein, 2008, 2009, 2010, 2011; Riivari & Lämsä, 2014; Sinclair, 1993; Treviño, 1990; Treviño *et al.*, 1998), our findings in this study show that the ethical culture of an organization can advance organizational outcomes, such as organizational innovativeness. This result is in line with previous empirical research that ethical organizational culture is meaningful for organizational innovativeness (e.g. Riivari *et al.*, 2012; Riivari & Lämsä, 2014). In particular, the results highlight that specific organizational virtues support organizational innovativeness more than other virtues. In the studied specialist organizations, which stress innovativeness, renewal and development in their strategies, the virtues of feasibility, discussability, supportability and congruency of management seem to provide a fruitful environment for innovativeness. We suggest that encouraging and cultivating these virtues and their central elements, as defined in this research, can be essential for advancing innovativeness. In general, this result implies that different organizational virtues can be useful to different organizational outcomes.

Solomon (2004) argues in favor of a sense of virtue in organizational ethics, which refers to cooperation, joint effort and concern for organizational members. Virtues are not separate from their social environment; rather, they are the core elements that bind the members of an organization together into a virtuous community, and also organizations to society (Solomon,

Organizational Virtues of Innovativeness  
Original article

1992b). Therefore, organizations should be considered as communities where people, to be able to achieve excellence, work together towards commonly shared goals, such as organizational innovativeness – a significant goal in contemporary working life organizations. The achievement of this goal for its part serves the greater society's demands and the public good for the renewal and development of society (Solomon, 2004). This study lends support to the idea of Aristotelian virtue ethics that it is not possible to define virtues that would be applicable to all situations. Virtues are contextual and determined by specific roles and circumstances, where organizational behavior and practices are actualized (Collier, 1998; Solomon 1992a, 1999).

In virtue ethics, the good characteristics of an actor are viewed as the key element of ethical behavior. These characteristics promote good practices and actions, which are defined as the main goal in creating and maintaining the well-being of individuals and the community at large (Dawson, 2009). At the organizational level, virtue ethics is interested in an ethical culture, which takes place in organizational practices (e.g. Collier, 1998). Further, virtues in the organizational context refer to constantly practicing, developing and reformulating the organization's ethical character (Chun, 2005). According to Aristotelian ethics, acting well is the right way to strive to flourish (e.g. Collier, 1998). In line with the virtue-based approach to business ethics (Solomon, 2004), our findings indicate that it is not only important to have certain organizational virtues manifested in organizational culture to promote innovativeness but the cultivation and development of these virtues in the organization is also essential. Therefore, organizations should pay attention to such organizational practices that support the continuous development of virtues, such as organizational learning, knowledge-management, providing discussion and feedback forums and cultivating trust among organizational members to enhance innovativeness.

The findings denote that ethical virtues are not simply enhancers of or barriers to innovativeness that have been quite widely stressed in previous literature (cf. Anderson *et al.*, 2014), but they can include both positive and negative aspects. The ideal situation is when the virtues are at an appropriate level according to the idea of a golden mean in virtue ethics (Kaptein, 2015). As we have shown, the features of innovativeness seem to be more versatile and complex in nature than previous research has recognized (Anderson *et al.*, 2014). We suggest that instead of being dichotomously good or bad, the features of innovativeness can hold the form and characteristics of virtues. Further, the findings denote that from the adopted virtue-based view (Solomon, 2004; Kaptein, 2008) the ideal ethical organizational environment for innovativeness would be an organization in which there is just the right amount of critical ethical virtues; the lack or oversupply of virtues (e.g. having too little or too much time, having too many technical systems, or having a colleague or supervisor constantly monitoring your work) may not be ideal as this might hinder innovativeness. This finding is supported by the theoretical analysis of Kaptein (2015), who explored the extremes of ethical organizational virtues and emphasized the nature of ethical organizational virtues as a means between vices (too much or too little).

It has been discussed in earlier studies that adequate resources (e.g. information, knowledge, expertise, money, time, and materials) are essential in providing employees with opportunities to be creative and innovate (e.g. Caniëls *et al.*, 2014; Scott & Bruce, 1994). Stemming from these studies, we found that the ethical virtue of feasibility is not critical only for ethical culture but is also meaningful for enhancing innovativeness in the organization. As our findings suggest, having an optimal amount of feasibility, and especially such elements as decent time and sufficient competence to complete current tasks, solve problems and create

Organizational Virtues of Innovativeness  
Original article

new solutions in a good manner are needed in the organization to enhance innovativeness.

The flip side of feasibility is that there might be a lack or oversupply of resources, which is not an ideal situation for providing a nourishing environment for innovativeness.

Previous research has shown that good interpersonal relations between organizational members, the good quality of employee relationships, and trust are essential in supporting organizational innovativeness (Scott & Bruce, 1994; Zakaria *et al.*, 2004). In line with these studies, our results illustrate that the ethical organizational virtues of discussability and supportability seem to be relevant in enhancing organizational innovativeness. For example, such elements of supportability as having an open, trusting and constructively critical work atmosphere benefits organizational innovativeness by providing a communicative and safe environment for employees to be innovative. This finding is supported by previous research that suggests that an organizational culture where employees can participate and take responsibility enhances organizational productivity (Whetstone, 2005, p. 367). Our findings add the perspective of virtues to this previous discussion, and we emphasize that the elements of discussability and supportability (i.e. open discussions, feedback, good working atmosphere) maintain an organization's ethical excellence but also promote organizational innovativeness.

Prior empirical research has proposed that the ethical virtue of congruency of management has a special role in organizational innovativeness (Riivari & Lämsä, 2014). Managerial support and ethical behavior has also been noted as an important antecedent of a good working atmosphere, motivation of employees, creativity and successful performance (Bassett-Jones, 2005; Hansen, 2011; Hosmer, 1994, 1997; Martins & Terblanche, 2003; Rose-Anderssen & Allen, 2008). Previous research has noted the importance of the ethics of

Organizational Virtues of Innovativeness  
Original article

managers and leaders as they provide ethical guidance in the organization and encourage their followers to achieve organizational objectives (e.g. Brown *et al.*, 2005; Ciulla, 2004; Kanungo & Mendonca, 1996; Mendonca, 2001; Yukl, 2006). In line with these prior discussions, our findings show that the ethical conduct and leadership of supervisors and top managers play an important part in the promotion of innovativeness in an organization. Further, our findings indicate that the role of supervisors and management as part of an innovative organization includes such elements as inspiring and stimulating employees and are typically viewed as features of transformational leadership (e.g. Bass, 1991). As the original definition for organizational virtues of congruency of supervisors and management does not cover all these aspects of leadership behavior that our findings denote (cf. Kaptein, 2008), we suggest that the definition and content of the virtues of congruency of supervisors and management should be extended to cover the inspirational, motivational and supportive elements of leadership.

### **Research limitations and further research**

This study has some limitations. First, the interviews were conducted only in Finnish specialist organizations. Therefore, this study emphasizes ethical virtues and organizational innovativeness in this organizational and societal context. Since empirical, specifically qualitative, research about ethics and innovativeness is not so common in current research, even if ethics is often considered to be important for organizations (Collier, 1998; Crane & Matten, 2007; Huhtala *et al.*, 2011; Kaptein, 2010; Kaptein, 2008; Kaptein, 2009; Kaptein, 2011; Paine, 1997; Pučėtaitė *et al.*, 2010; Riivari *et al.*, 2012; Sims & Brinkmann, 2009; Sinclair, 1993; Solomon, 2004; Treviño, 1990; Treviño *et al.*, 1998), and is therefore relevant

to investigate, we suggest that the topic would merit more research in other organizational and societal contexts. Additionally, cross-cultural comparisons would be interesting.

Second, the interviewees described their own experiences, views and ideas about the meaning of ethical culture in supporting innovativeness in the organization. As both ethical culture and innovativeness are organizational level phenomena and made up of more than just the experiences and perceptions of organizational members, this qualitative interview study could capture only a limited perspective on the topic. Therefore, we suggest that an ethnographic study with various data gathering methods such as fieldwork, documentary data, diaries as well as interviews might be a fruitful alternative to obtain more knowledge and a deeper understanding of the topic. However, this study has answered the calls of previous researchers (Huhtala *et al.*, 2011; Riivari & Lämsä, 2014) that more qualitative methods are necessary in studies of ethical organizational culture, since these methods can bring out alternative, more detailed and richer, views on the topic. Finally, this study focused mainly on the positive aspects of ethics and innovativeness; however, the study also showed that there might be contradictory elements related to ethics and innovativeness in the organization. We suggest that it would be worth studying possible contradictions or tensions and even the ‘dark side’ of these phenomena in the future.

## **Conclusion**

In conclusion, our aim in this study was to explore how ethical organizational culture and, more specifically, ethical organizational virtues support organizational innovativeness. This study fosters the idea that organizational innovativeness is promoted by the ethical virtues of feasibility, discussability, supportability and congruency, which are characterized by specific

Organizational Virtues of Innovativeness  
Original article

elements, which make the virtues perceptible in the organization. Based on the findings and following the idea of a golden mean in virtue ethics (Solomon, 1999), we suggest that a decent level of virtue is essential in supporting organizational innovativeness. Further, in line with the ideas of virtue ethics (Solomon, 1992a, 2004), supporting and developing virtues in the organization through different organizational practices maintains and enhances both the organization's ethical excellence and organizational innovativeness. In addition, it was shown that the features of organizational innovativeness are not necessarily dichotomous but rather, follow the ideas of virtues and are versatile in nature.

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