

Maiju Kangas

The Role of Ethical Organizational  
Culture in Preventing Sickness  
Absence and Turnover in  
Organizations



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## ABSTRACT

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The role of ethical organizational culture in preventing sickness absence and turnover in organizations

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This research examined the role of ethical organizational culture in preventing sickness absence and turnover in organizations, and also validated the Corporate Ethical Virtues (CEV) model used to study ethical organizational culture. More specifically, the research had four aims: 1) to test the factorial validity and group invariance of the 58-item CEV scale, 2) to examine the associations between ethical organizational culture and sickness absence at the individual and work unit levels, 3) to study the role of ethical organizational culture as an antecedent of managerial turnover, and 4) to examine the reasons managers gave for their turnover, and the associations between ethical culture and these reasons. Three different datasets were used. The first dataset (aim 1) consisted of four samples that together contained 3,098 Finnish participants from two organizations. The first organization operated in the private sector (consulting and engineering), and the second, a large city organization, operated in the public sector. The second dataset (aim 2) consisted of all members of the aforementioned public sector organization, which included four service areas comprising 246 smaller units ( $n = 2192$ ). The third four-year three-wave dataset (aims 3 and 4) comprised 902 Finnish managers from different organizations at the study baseline in 2009. The results showed, first of all, that the factorial validity of the 58-item CEV scale was good and that it remained statistically similar, i.e. invariant, across samples. Second, a strong ethical culture was found to associate with less individual-level sickness absence. At the work unit level the same tendency was not found, implying that sickness absence is more of an individual than a shared outcome at the work unit level. Third, the results indicated that the more present were the virtues of congruency of supervisors and senior management, discussability, and sanctionability, the more likely managers were to stay in their organization. Moreover, in those organizations where the ethical culture was seen as weaker, managers gave reasons for turnover related, for example, to dissatisfaction with the job or organization, value misfit, and decreased well-being. To conclude, the findings of the present research highlighted the essential role of the ethical values embedded in an organization's culture and business practices in both reducing sickness absence and keeping valuable managers in the organization.

Keywords: ethical organizational culture, sickness absence, turnover, job change, factorial validity, invariance

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## TIIVISTELMÄ (FINNISH ABSTRACT)

Kangas, Maiju

Eettisen organisaatiokulttuurin yhteys sairauspoissaoloihin ja työpaikanvaihtoihin  
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Tämän tutkimuksen tavoitteena oli: 1) tutkia 58-osioisen Corporate Ethical Virtues kyselyn (CEV; Kaptein, 2008) faktorivaliditeettia ja invarianttisuutta, 2) selvittää eettisen organisaatiokulttuurin yhteyttä sairauspoissaoloihin sekä yksilötasolla että työyksikötasolla, 3) tutkia eettisen organisaatiokulttuurin yhteyttä työpaikanvaihtoihin sekä 4) selvittää, mitkä työpaikanvaihtoihin johtaneet syyt olivat yhteydessä heikommaksi arvioituun eettiseen kulttuuriin organisaatioissa. Tutkimuksessa hyödynnettiin kolmea aineistoa. Ensimmäinen aineisto (tavoite 1) koostui 3 098 suomalaisesta tutkittavasta jotka työskentelivät kahdessa organisaatioissa: suunnittelu-toimistossa ja suuressa julkisen sektorin kaupunkiorganisaatioissa. Toinen aineisto (tavoite 2) koostui vastaajista (n = 2 192), jotka työskentelivät suomalaisessa kaupunkiorganisaatioissa (246 yksikköä). Kolmas nelivuotinen pitkittäistutkimusaineisto (tavoitteet 3 ja 4) koostui suomalaisista johtajista, joista 902 vastasi kyselyyn tutkimuksen ensimmäisellä kierroksella vuonna 2009. Tutkimuksen tulokset tukivat vahvasti 58-osioisen CEV-kyselyn oletettua faktorirakennetta tutkituissa organisaatioissa. Lisäksi havaittiin, että kyselyn faktorirakenne pysyi tilastollisesti samanlaisena eli invarianttina tutkittujen organisaatioiden henkilöstöjen välillä. Toiseksi, tulokset osoittivat, että yksilöllinen kokemus vahvasta eettisestä organisaatiokulttuurista oli yhteydessä vähäisempiin yksilötason sairauspoissaoloihin. Työyksikötasolla vastaavaa yhteyttä ei löytynyt: jaetut näkemykset työyksikössä ilmenevästä eettisestä kulttuurista eivät olleet yhteydessä keskimääräisiin sairauspoissaoloihin työyksikössä. Kolmanneksi havaittiin, että mitä enemmän esimiehen ja johdon eettinen esimerkillisyys sekä keskusteltavuus ja toiminnan seuraukset toteutuivat organisaatioissa, sitä todennäköisemmin johtajat pysyivät työpaikassaan. Lisäksi niissä organisaatioissa, joissa eettinen kulttuuri arvioitiin heikommaksi, johtajat nimesivät enemmän seuraavanlaisia työpaikanvaihtoon johtaneita syitä: organisaatioon tai työhön tyytymättömyys, arvokonfliktit, vähäinen työmotivaatio ja työhyvinvointi. Yhteenvetona voidaan todeta, että tämän tutkimuksen tulokset nostivat esiin organisaation eettisten arvojen ja toimintatapojen merkityksellisen roolin henkilöstön sairauspoissaolojen ja johtajien työpaikanvaihtojen vähentämisessä. Mitä vahvemmin eettiset hyveet olivat edustettuina organisaatioissa, sitä vähemmän sairauspoissaoloja ja työpaikanvaihtoja ilmeni.

Asiasanat: eettinen organisaatiokulttuuri, hyveet, sairauspoissaolot, työpaikanvaihto, faktorivaliditeetti, invarianttisuus



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*"Wonder is the beginning of wisdom."  
Socrates*

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## LIST OF ORIGINAL PUBLICATIONS

- I Kangas, M., Feldt, T., Huhtala, M., & Rantanen, J. (2014). The Corporate Ethical Virtues scale: Factorial invariance across organizational samples. *Journal of Business Ethics*, 124, 161–171.
- II Kangas, M., Muotka, J., Huhtala, M., Mäkikangas, A., & Feldt, T. (2015). Is the ethical culture of the organization associated with sickness absence? A multilevel analysis in a public sector organization. *Journal of Business Ethics*, Online First. Doi: 10.1007/s10551-015-2644-y
- III Kangas, M., Kaptein, M., Huhtala, M., Lämsä, A-M., Pihlajasaari, P., & Feldt, T. (2016). Why do managers leave their organization? Investigating the role of ethical organizational culture in managerial turnover. *Journal of Business Ethics*, Online First. Doi: 10.1007/s10551-016-3363-8

Taking into account the instructions given and comments made by the co-authors, the author of the thesis took part in collecting the data, conducted the analyses, and wrote the reports of the three publications.

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# 1 INTRODUCTION

The ethics of organizations is an important topic in research, as well as in the practical domain of working life. The ethical values and principles that are embedded in an organization's culture and business practices can have significant positive consequences for sustainable performance and reputation in the organization (e.g., Carroll, 1991; Crane & Matten, 2007; Solomon, 2004), and for national economies and global development (Lewis, Kay, Kelso, & Larson, 2010; Ruiz-Palomino, Martinez-Canas, & Fontrodona, 2013). Interest in business ethics has expanded not only in the practical organizational context but also as a research topic: the amount of research on business ethics has nearly tripled in the 2000s compared to the previous decade (Tenbrunsel & Smith-Crowe, 2008). Many scholars and practitioners have "rediscovered the importance of individual character strengths and organizational virtues" (Wright & Goodstein, 2007, p. 929), and literature reviews and meta-analyses on business ethics have revealed a major advance in research on the topic (McLeod, Payne, & Evert, 2016; Treviño, den Nieuwenboer, & Kish-Gephart, 2014). An important angle of approach to ethics in organizations is through organizational-level infrastructures (Tenbrunsel & Smith-Crowe, 2008; Treviño et al., 2014), one of which is the ethical organizational culture, which is the core interest of this research.

Ethical organizational culture has been defined as the ethical quality of a work environment, which consists of the shared values, norms, and beliefs that can stimulate ethical behavior (Kaptein, 2008; Treviño & Weaver, 2003). It promotes organizational virtues and provides a sense of shared meaning and values to the organization's members. Practices and "ways of doing things" are embedded in the organization's ethical culture, which guides members' ethical decision-making (Sims & Keon 1999), prevents unethical behavior and encourages detecting and correcting wrongdoing (Kaptein 2011a, b). More recent research has shown that ethical organizational culture promotes many positive outcomes in organizations. For example, it has been found to be positively associated with ethical leadership (Huhtala, Kangas, Lämsä, & Feldt, 2013; Kangas, Lämsä, Huhtala, & Feldt, 2010), less turnover and intention to quit (Pihlajasaari, Feldt, Mauno, Lämsä, & Huhtala, 2014), more organization-oriented career

goals (Huhtala, Feldt, Hyvönen, & Mauno, 2013), and organizational innovativeness (Riivari & Lämsä, 2014; Riivari, Lämsä, Kujala, & Heiskanen, 2012; Pučėtaite, Novelskaitė, Lämsä, & Riivari, 2016). Moreover, ethical culture has been shown to positively associate with organizational commitment (Huhtala & Feldt, 2016), organizational trust (Pučėtaite, Lämsä, & Novelskaitė, 2010; Pučėtaite, Novelskaitė, & Markunaitė, 2015) and ethical strain (Pihlajasaari, Feldt, Lämsä, Huhtala, & Tolvanen, 2013; Pihlajasaari, Feldt, Mauno, & Tolvanen, 2013) as well as with the well-being of an organization's employees and managers (Huhtala, Feldt, Lämsä, Mauno, & Kinnunen, 2011; Huhtala, Kaptein, & Feldt, 2015; Huhtala, Tolvanen, Mauno, & Feldt, 2015; Kangas, et al., 2010).

Despite the recent increase in interest in examining organizational ethics, few studies have investigated ethical culture as a group-level construct (see the review of Schaubroeck et al., 2012). In addition, the links between ethical culture and sickness absence have not been studied before, although some promising results have already shown, for instance, that organizational justice is associated with as much as a 48% lower rate of sickness absence in the organization (Elovainio, Kivimäki, & Vahtera, 2002). Another costly consequence for organizations is turnover, and thus the reasons that lead to the decision to change jobs are of major interest to organizational management. Turnover and the reasons leading to the decision to quit have not been examined in the same study and in relation to ethical culture, although this information would help organizations to recognize the values and practices that most likely lead to turnover amongst the organization's members. Thus, this research aimed to add to the existing research on ethical culture. Its three main aims were: 1) an examination of the factorial validity of the CEV scale in different organizational samples used to measure the ethical culture of organizations, 2) a study of the associations between ethical organizational culture and sickness absence both at the individual (employee) and group (work unit) level, and 3) an investigation of the reasons given for leaving an organization, and whether ethical culture is connected with turnover.

The first aim was to answer to the call for further development of the measures of ethical culture. In order to operationalize a construct, and capture its breadth and complexity, a suitable measure is needed (e.g., Nunnally, 1967; Reidenbach & Robin, 1990). One problem in examining ethical values in organizations has been that there are only a few instruments available to evaluate them (Kaptein 2008; Treviño, Butterfield, & McCabe, 1998), and empirical evidence regarding the validity of these instruments is scarce (Kaptein 2008; Key 1999; Treviño et al., 1998). The validity of the Corporate Ethical Virtues scale (CEV; Kaptein, 2008), which is the only multidimensional measure for ethical culture, was developed further in the present study by investigating the factorial validity and group invariance of the scale. Its factorial validity had been previously examined in only one study (Huhtala et al., 2011), and especially its group invariance needed to be examined since it had not been tested before, despite its crucial effect in determining whether the construct examined is understood the same way in different contexts (e.g., Horn & McArdle, 1992; Mer-



edith, 1993; Meredith & Teresi, 2006; Vandenberg & Lance, 2000). The longitudinal validity of the scale has been tested since in one recent study (Huhtala, Kaptein, & Feldt, 2015). As interest in studying the consequences, antecedents, dynamics and impacts of ethical culture grows, the development of a measure is important for both research and practice. A valid and reliable measurement tool is crucial to the process of testing a model and building a better understanding of the ethical culture of organizations.

The second aim was to investigate ethical culture in relation to the measurable and often problematic consequence of illness in organizations, that is, sickness absence. Although the antecedents of sickness absence have been widely studied, the possible role of ethical organizational culture in sickness absence remains unclear. Studies have shown that the ethical principles embedded in an organization's culture may prevent sickness absence by providing individuals with resources (see Kalimo & Toppinen, 1999), and justice in organizations can have a major impact on reducing sickness absences (Elovainio et al., 2002). Previous studies on the outcomes of an ethical organizational culture have mainly concentrated on employee well-being in terms of ethical strain, burnout, and work engagement indicating that by investing in ethical practices, organizations can reduce costs and possibly increase their profitability via fewer absences. This research aimed to investigate whether an ethical organizational culture can function as a resource for the members of the organization. Such resources could include virtues like having leaders and managers in the organization that provide a good ethical example, allowing opportunities to discuss ethical issues, as well as setting aside sufficient time, information and financial means for employees to comply with ethical expectations. Another objective was to examine whether shared perceptions of ethics in smaller work units can develop into shared ill-being and eventually a larger amount of total sickness absence days per unit. In order to prevent and manage sickness absences and a subsequent transition to permanent disability, it is important that in addition to individual-level factors, the organizational-level reasons that can encourage individuals to take sick leave or to prolong such an absence are recognized and managed.

The third goal was to find out whether ethical organizational practices manifested via ethical culture can help keep organizational members from changing organization. For organizations, it is important to understand the motives behind managers' job changes, since replacing a manager can be problematic and time-consuming, and managers' departure can put inter-organizational contacts in jeopardy, creating a loss in terms of firm-specific human capital (Furtado & Karan, 1990). Since the departure of a manager can be detrimental to an organization, it is crucial to increase understanding about how to be prepared for managerial turnover, and how to reduce the likelihood of managers' leaving. Little qualitative information is available about the reasons leading to quitting, especially in relation to the organization's ethical culture, which reflects the values in the organization. Studying the reasons managers give for leaving an organization can give deeper insights into what leads to the decision

to exit. As an ethical culture provides a nurturing and virtuous work environment, the expectation is that it will encourage managers to stay in the organization.

One strength of the present research is that it included longitudinal analysis with multiple measurement points. As in analyzing the antecedents of turnover, multiple measurement points may help to measure the variables close enough in time to confirm the relationships between processes that may occur almost simultaneously (Hom & Griffeth, 1991). This is significant especially in cases where the antecedents can evolve or change over time (see Steel, 2002), as is the case with the ethical culture of an organization. The fact that in previous studies on ethical culture the study settings have mostly been cross-sectional and have mostly used regression analyses is a definite shortcoming in this research field. So far, only two international papers have been published that study the ethical culture of organizations with various measures at different time points. The first of these is Kaptein's (2010) study comparing ethical culture ratings at three time points, and the second one is a study of Huhtala, Kaptein and Feldt (2015) that identifies the long-term patterns of ethical organizational culture. In order to explore the direction and strength of the associations between the concepts studied, longitudinal studies with multiple measurement points are needed.

In the present research it was argued that the ethical culture of an organization can be reliably measured using the 58-item CEV scale (Kaptein, 2008). Moreover, it was argued that ethical organizational culture contributes to organizations' profitability through less negative employee outcomes. It was explicitly stated that the ethical culture of an organization will decrease sickness absence among employees and turnover among managers at different organizational levels. With an understanding of if and how the ethical culture can influence sickness absence and turnover in organizations, the impact of decisions made in an organization can be assessed and this can facilitate the planning of future interventions. In the present research, the associations between ethical organizational culture and sickness absence and turnover were studied in both private and public sector organizations, in cross-sectional and longitudinal datasets, and among managers and employees. Quantitative analysis made it possible to study sickness absence on both the individual and organizational level and to examine at multiple measurement points the predictive power of the ethical culture on turnover. The qualitative answers for turnover reasons, on the other hand, shed light on managers' perceptions. Understanding these perceptions may make the prevention and understanding of job changes easier. These associations have remained mostly unexplored in previous research, although sickness absence and turnover can both have detrimental effects on the individual and the organization. Ethical practices and cultures in organizations should be developed further, as work has become "the very core of contemporary life for most people, providing financial security, personal identity, and an opportunity to make a meaningful contribution to community life" (WHO, 2000). There should therefore be a move toward building organizations that provide

their members shared meanings and ethical values, not only because ethics is important in itself, but also because enhancing ethical values is advantageous for the organization.

## 1.1 Ethical organizational culture: construct development and conceptualizations

### 1.1.1 Organizational culture

Organizational culture, of which ethical culture is a part, has long been of interest to scholars. A broader interest in organizational culture started with the work of Pettigrew in 1979 and it burst onto the management scene a few years later (Ehrhart, Schneider, & Macey, 2014). The definition of organizational culture has since become wider and more complex; there is a wide range of different conceptualizations. What scholars seem to agree upon is that organizational culture includes the shared meaning individuals derive about the basic assumptions, values and beliefs that underlie their experiences at work from the myths and stories they hear (e.g., Schein, 2010, 1990; Trice & Beyer, 1993). This process takes place especially during the socialization experiences of new organizational members as they adapt to their new environment.

One way to distinguish definitional and methodological approaches to culture would be Smircich's (1983) rationale of an organization either being a culture or having a culture. The first definition, where culture is seen as an organization's identity and as such a part of the organization itself, points to something that an organization "is". In this view, a culture cannot be consciously managed or changed. On the other hand, organizational culture can be perceived as something that an organization "has", pointing to the changeable nature of culture. According to this latter perspective, differences within and between organizations can be measured and compared, and so studies that have utilized this perspective have mainly used a quantitative approach, such as surveys (Alvesson, 2002; Sackmann, 2011). In the present study, this viewpoint is incorporated, as the ethical culture of organizations is seen to be manageable and open to change (Kaptein, 2009)

One useful perspective on organizational culture is found in Schein's (2010) work, since it offers a theoretically well-grounded idea of culture that takes into consideration the central role of values – which are also at the core of ethical organizational culture, examined in this study. Schein (2010) suggests that organizational culture exists on three major levels: observable artefacts, beliefs and values, and the underlying basic assumptions. *Artefacts* are the manifestations of culture and they represent those things that can be observed and felt when entering an organization, such as the physical layout of the building(s), products and technology, published policies and norms, and observed behaviors of members of the organization (Schein, 1990, 2010). However, even though

the artefacts-level of culture is easy to acquire, it may not be a reliable indicator of the underlying assumptions, the deeper meanings, of the organization. The *beliefs and values* that are espoused in the organization have originally been the propositions, or original beliefs and values, of the leaders of the company, which have then been questioned, challenged and debated in the organization. If these propositions or beliefs of the leaders have constantly resulted in positive outcomes, they may have been transformed into the shared beliefs and values of the organization. These values, norms, and rules then provide the daily operating principles that organizational members follow in their practices. However, espoused values may sometimes reflect desired behavior without being visible in observed behavior, and may leave large areas of behavior unexplained. Therefore it is important to interpret them in the context of the underlying assumptions guiding the behavior. *Basic assumptions* are these underlying, unconscious assumptions that are taken for granted in the organization. They may be difficult to perceive even for members of the organization, although they determine actions and behavior in the organization. These assumptions are usually similar within a social unit and are shared by the members of the unit. This general agreement has developed over time as a result of repeated success in implementing certain beliefs and values. For this reason, basic assumptions are difficult to change.

In sum, culture is defined by Schein (1990) as a pattern of basic assumptions, that are “invented, discovered, or developed by a given group – as it learns to cope with its problems of external adaptation and internal integration – that has worked well enough to be considered valid and, therefore – is to be taught to new members as the correct way to perceive, think, and feel in relation to those problems” (Schein, 1990, p. 111). However, sometimes a culture can be very fragmented and difficult to perceive, containing various subcultures that are independent and may even be in conflict with each other (Martin, 2002; Schein, 1990, 2010). Nevertheless, there is a tendency for integration and consistency, and there will also be a total organizational culture (Schein, 1990). Whatever the culture may be like, it always has an effect on the employees in the organization and the decisions they make in various situations (Sims, 1991).

The concept of an organizational culture is first and foremost social, and individuals participate in its development and fit into its structure (Solomon, 2004). Organizational cultures have their own histories and structures, containing the shared knowledge, experiences and values that the members of the community share. According to Solomon (2004, p. 1035), “among those essential structures are the various demands of ethics. It is, above all, shared values that hold a culture together.” Also Schein (2010) points out that ethical rules remain conscious in an organization since they serve the moral function of guiding members on how to behave in certain situations. Such beliefs and values often become incorporated in an ideology or organizational philosophy, serving as a guide for conduct in times of difficulty. In the present research, the ethical dimension of an organization’s culture was studied at both the individual level (individuals’ perceptions of the ethical culture) and on the level of the immedi-

ate work unit (the mean aggregate score for the ethical culture perceptions within the members of same work unit).

### 1.1.2 Ethics in organizations

In the scientific literature, there are different ways of conceptualizing the relationship between the business world and ethics. Here, four different viewpoints are presented that can be placed on a continuum between extremes. The strictest one of these outlooks starts from the assumption that ethics and business cannot be linked because the world of business is ethically neutral and amoral. Thus, a company's goal being to produce a profit for shareholders, the assumption is that business ethics does not exist (Velasquez, 2002). However, it can be argued that ethics is more than what the law requires from us, although the minimum requirement is compliance with the law and rules. The second viewpoint presents business as ethically neutral, having its own laws that cannot be evaluated on ethical principles. One counter-argument to this claim is, however, that a company never functions apart from the society and the world (Fisher, 2003; Velasquez, 2002). According to the third perspective, a company or a business does not exist without people, which is why business and ethics, aiming for the good life, essentially belong together. It is difficult to imagine a situation where companies and organizations could function without paying any attention to the surrounding society's generally prevailing and approved ethical norms; since it is people who are the agents in a company, ethical and moral responsibilities also belong to the company itself (Fritzsche, 1995; Velasquez, 2002). The fourth viewpoint underlines the importance of ethics in business and states that both the organization and its members are concerned with ethical responsibilities (Fisher, 2003; Fritzsche, 1995; Velasquez, 2002). According to this view, businesses should be ethical because it is the right thing to do, and right and wrong in terms of ethics link to and manifest via an organization's members (e.g., Velasquez, 2002), which is why an individual cannot forget his or her ethical responsibilities even when fulfilling responsibilities or roles as a leader or manager. The present research aimed to expand our knowledge of how ethics in business, in this case the organization's ethical culture, can be of advantage to both the individual and the organization.

At the organizational level, the ethical context can be divided into formal and informal systems or contexts. The formal system/context includes all the procedures and policies that are defined and written, such as ethics programs, whereas the informal system/context refers to the implicit values, beliefs and traditions that are manifested through the ethical culture and ethical climate (Falkenberg & Herremans, 1995; Kaptein, 2011). Research on both ethical climate and ethical culture have long traditions. Ethical climate research started over 25 years ago, when Victor and Cullen (1987, 1988) defined the concept as "those aspects of work climate that determine what constitutes ethical behavior at work" (Victor & Cullen, 1988, p. 101). Since then, the research has expanded and the antecedents (e.g., meta-analysis of Kish-Gephart, Harrison, & Treviño, 2010) and consequences (see e.g., the meta-analysis of Martin & Cullen, 2006) of

the ethical climate have been studied. Ethical culture emerged parallel to the research on ethical climate when Treviño (1986) discussed its importance and later developed the first model to measure ethical culture with her colleagues (Treviño, Butterfield & McCabe, 1998). Their study indicated that ethical climate and culture are two distinct constructs, yet strongly related.

After this realization of the need for ethical culture studies, research on ethical climate and ethical culture have developed along their own different paths. Some scholars have argued that they are not fundamentally different phenomena (Denison, 1996), some see them as strongly related but different (e.g., Kaptein, 2011b; Treviño et al., 1998), and some consider ethical climate to be an artefact of culture, a mediator between culture and different outcomes (Schein, 2010). According to Kaptein (2009), ethical culture incorporates experiences, presumptions and expectations of how the organization can prevent unethical behavior and promote ethicality. Ethical climate, on the other hand, relates to the atmosphere and conditions in the organization or work unit and defines the organization's members' perceptions of what ethical behavior is (Kaptein, 2009). Ethical culture can be seen as a deeper and broader construct that includes the factors that guide compliance with the ethical expectations and enhance ethical behavior in the organization (Heugens, Kaptein, & van Oosterhout, 2006; Kaptein, 2011b). Kaptein (2011b) found, for instance, that ethical culture is of greater significance in explaining unethical behavior, although ethical climate and culture, both representing the informal systems in the organization, are related to the (un)ethical conduct in organizations.

There is a lack of consensus among researchers on the definition of ethical culture. The Different conceptualizations and operationalizations have been summarized by Mayer (2014), who presents three primary approaches to ethical culture: 1) the corporate ethical values presented by Hunt, Wood, and Chonko (1989), 2) the Ethical Culture Index (ECI) introduced by Treviño, Butterfield and McCabe (1998), and 3) the Corporate Ethical Virtues model (CEV) developed by Kaptein (2008). Hunt, Wood and Chonko (1989, p. 90) define corporate ethical values as "values that help establish and maintain the standards that delineate the 'right' things to do and 'worth doing'". Their measure of ethical culture includes five items and concentrates on the ethical behavior of managers, the extent to which employees perceive that they have to compromise their own ethical standards, and the use of sanctions for unethical behavior in the organization. According to Treviño, Butterfield and McCabe (1998), ethical culture is a subset of organizational culture, which incorporates informal systems (e.g. peer behavior) and formal systems (e.g. reward systems and policies) that promote either ethical or unethical behavior in the organization, although a year later, Weaver and Treviño (1999) drew a distinction between ethical culture and ethics programs. A decade later, Kaptein (2008) published his work on developing a multidimensional measurement tool for ethical organizational culture. The Corporate Ethical Virtues (CEV) model that has its roots in Aristotelian virtue ethics is incorporated into this study.

### 1.1.3 Virtue theory

Virtue ethics, which is the basis of the CEV model used in the present research to study organizations' ethical culture, falls under the three most frequently cited business ethics theories. The other two are deontological ethics and consequential ethics (Ferrero & Sison, 2014; Kaptein & Wempe, 2002). The intellectual roots of virtue ethics lie in the work of Plato and Aristotle. It is mostly concerned with the intentions, attitudes, qualities, characteristics, and disposition of agents - in other words, the emphasis is on the decision-maker rather than the actions (Crane & Matten, 2007; Kaptein, 2010). Deontological ethics theories (e.g. Kantian ethics) focus on the morality of actions and the behavior of agents, and especially on what the ethical principles directing behavior are. Consequential or teleological ethics theories (e.g. utilitarianism) focus primarily on the outcomes, aims or goals of the actions of agents. As Kaptein (2010, p.602) summarized it: "virtue ethics focuses primarily on who the agents are, deontological ethics on what agents do, and consequential ethics on the impact of what agents do. An agent can be an individual, group, or collective entity, such as an organization."

It has been argued that virtue ethics, which is a prominent theory in business ethics research, is important for a business to succeed and flourish (Ferrero & Sison, 2014). According to Solomon (2004), who integrated virtue ethics into business ethics research, excellence in business cannot be separated from the values of individuals and organizations. He underlines the importance of humane business practices formulated on the basis of the personal integrity of those within an organization. Business ethics research seeks for ways in which this personal integrity can lead to corporate success (Kaptein, 2010). Kaptein (1998, 2008) emphasizes that organizations need to have certain characteristics, i.e. virtues, which will result in ethical actions. Organizations can be perceived as independent moral actors from two perspectives: as *a container for individual virtue*, where the organization is seen as a consolidated organism, or as *a context for synergy*, where the organization can function as a catalyst for the collective and individual virtues (Bright, Winn, & Kanov, 2014). The latter perspective is adopted in the present research, where ethical culture is seen to function as a context for synergy, since it encourages employees to act ethically and prevents unethical behavior (Kaptein, 1998, 1999). Thus, the virtuousness expressed in organizations (via e.g., leaders' compassionate or courageous behavior) can become self-reinforcing and foster resiliency in challenging situations (Cameron, Bright, & Caza, 2004). As the entire organization is influenced by the virtuous behavior of its members, this virtuousness can become the characteristics of the whole organization.

Organizational and individual virtues lie mid-way between two vices (e.g., Bright et al., 2014; Kaptein, 2015), and there can be consequences for health, turnover behavior and unethical conduct both when the virtue is present to excess and when it is absent. This encourages organizations to seek for the mean between the vices. Organizational virtuousness, it is argued, strengthens the

belief that ethics has an essential role in business (Dawson, 2015), stimulates virtues in the organization's employees, and strengthens and protects the organization from traumas, such as downsizing, as well as creating self-reinforcing positive spirals (Cameron et al., 2004). Positive, virtuous organizational practices have also been shown to associate with less employee turnover, greater customer satisfaction, organizational climate, managerial support, financial performance, and finally better evaluations of effectiveness by senior executives (Cameron, Mora, Leutscher, & Calarco, 2011). Therefore, organizations that reinforce virtues in their members' behavior can develop into ethical communities that share and spread good practices that are in turn related to better organizational performance (Cameron et al., 2004, 2011).

#### **1.1.4 Corporate Ethical Virtues**

Thus far, the most broadly tested measure for organizational ethical culture is Kaptein's (2008) multidimensional Corporate Ethical Virtues model. It comprises eight virtues that promote the ethical culture of an organization and consequently the ethical behavior of the organization's members. The basis of the CEV model lies in the virtue-based theory of business ethics, which was introduced as an 'Aristotelian approach to business' by Solomon (1992, 1999, 2000, 2004). According to Solomon, the organization is seen as the individuals' immediate community and defines the values at the workplace: practices, the "ways of doing things", are important and should support ethics in the organization (Solomon, 1999). He stresses individual virtue, but focuses on individuals as members of a corporation, suggesting that both individuals in organizations and the organizations themselves possess virtues that support moral behavior (Solomon, 2004). Kaptein (1998) defined the eight virtues that can promote ethical organizational culture based on a qualitative analysis of 150 interviews carried out in various organizations. On this basis he came up with three distinct types of organizational dilemmas, characterized by seven typical qualities. On the basis of this definition, Kaptein (2008) further developed a measure for ethical organizational culture that consists of eight virtues.



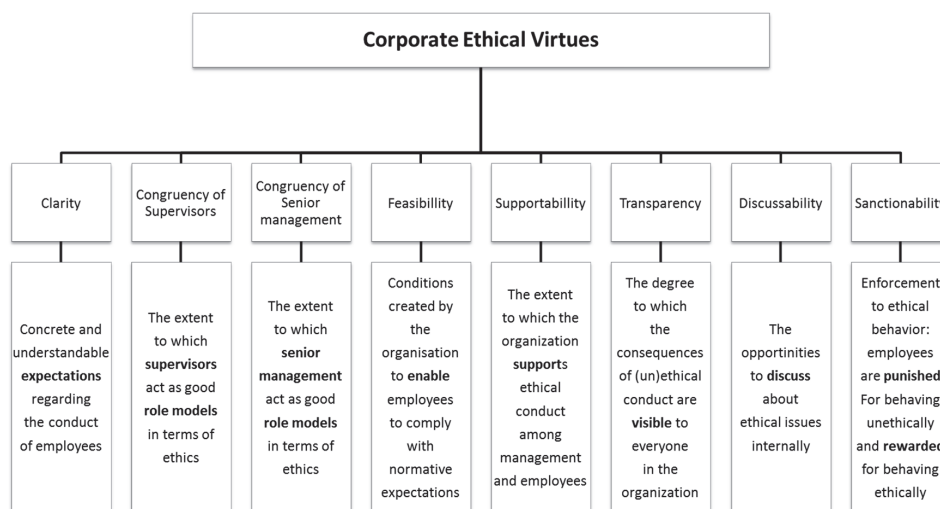


FIGURE 1 The Corporate Ethical Virtues (CEV) model (Kaptein, 2008)

The first organizational virtue in the CEV model is *clarity*, which refers to the concrete, comprehensive, and understandable normative expectations and ethical standards for employees' conduct. Ethical issues in the business setting may be unique and specific, differing from the ones that have to be solved in other social settings (Crane & Matten, 2007; Donaldson & Dunfee, 1999; Velasquez, 2002). Consequently, employees may have difficulties in distinguishing between ethical and unethical conduct in the workplace using their moral intuition. According to Kaptein (1998), a higher risk of unethical conduct exists when employees have to rely on their own moral intuition without clear ethical guidelines from the organization. Similar findings have shown that ambiguity and vagueness in ethical expectations are one of the main causes of unethical behavior in organizations (Bird & Waters, 1989; Jackson, 2000; Tyler & Blader, 2005). These unclear normative expectations may also leave space for excuses, as employees may for instance deliberately keep themselves ignorant and uninformed (Bovens, 1998). Hence, organizations should be clear about the ethical standards employees are expected to follow.

*Congruency of supervisors* and *congruency of senior management*, the second and third virtues, refer to the ethical example of the supervisors and senior managers in the organization. In addition to clear normative expectations that guide employee conduct, it is crucial that leaders' and managers' behavior is in line with these expectations. The example set by managers is an important source of normativity within organizations (Ciulla, 1998; Schein, 2010; Treviño, Hartman, & Brown, 2000), and if managers fail to follow the guidelines set in the organization, this sends inconsistent signals to the employees. If, on the other hand, managers comply with normative ethical expectations, employees'

willingness to follow ethical guidelines is reinforced (Kaptein, 2008). Employees' unethical conduct is many times motivated by the example that supervisors, managers or board members show (Kaptein, 1998), as employees often imitate the behavior of their leaders, looking for clues to appropriate conduct (Brown, Treviño, & Harrison, 2005; Hegarty & Sims, 1978; Schminke, Ambrose, & Neubaum, 2005). Therefore, the second and third virtues, congruency of supervisors and congruency of senior management, are vital characteristics of organizations that want to prevent unethical conduct and promote ethical behavior within the organization.

The fourth virtue is *feasibility*, which refers to the extent to which the conditions are created in which members of the organization can behave ethically and follow normative expectations. The risk of unethical behavior increases if the organization's members do not have enough possibilities and capacity to accomplish their tasks and responsibilities. The study by Kaptein (1998) showed that when employees did not have proper or sufficient equipment, time, budget, information, or authority to fulfil their responsibilities, unethical conduct occurred. According to Treviño (1986), those who work under time pressure, for example, are less likely to pay attention to others' interests and legitimate expectations than those who have sufficient time at their command. Moreover, excessively high targets stimulate unethical behavior (Schweitzer, Ordóñez, & Douma, 2004). The fourth virtue therefore includes the requirement that the responsibilities of an organization's members are feasible and can be carried out.

The fifth organizational virtue is *supportability*, that is, the extent to which the organization creates support and mutual trust among employees and enables them to meet normative expectations. According to many scholars, demotivated and dissatisfied employees are more prone to behave unethically (e.g., Boye & Jones, 1997; Kaptein, 1998; Skarlicki, Folger, & Tesluk, 1999). In a supportive organization, employees are treated fairly and taken seriously, which creates a good context for complying with the ethical standards of the organization and thus decreases the risk of unethical behavior (Kaptein, 2008, 2011b). In addition, Tyler and Blader (2005) showed in their study that encouraging employees to identify with the values of their organization will enhance intrinsic motivation to follow the organization's ethical standards. The virtue of supportability thus refers to the amount of support from the organization towards the individual's identification with, involvement in and commitment to the normative expectations of the organization.

The sixth virtue, *transparency*, refers to the visibility of ethical or unethical behavior in the organization. If the consequences of unethical actions are not visible to employees, they cannot be held responsible for their actions (Bovens, 1998), since the organization has not given them the opportunity to account for, modify or alter their conduct. According to Bovens (1988), this can lead to the situation that the focus is more on the action than on its consequences. Kaptein (1998) posits that organizations that cherish visibility or transparency will encourage their employees to modify or correct not only their own behavior, but also that of their subordinates, supervisors, or co-workers (Kaptein, 1998). Pre-

vious studies have shown the central role of transparency in exposing unethical conduct (e.g., Hollinger & Clark, 1982, 1983; McCabe, Treviño, & Butterfield, 1996). Also feedback from peers influences ethical decision making and leaves less room for misinterpretation and dishonesty (Zey-Ferrell & Ferrell, 1982). The organizational virtue of 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, supervisor, subordinates, and the employee(s) concerned” (Kaptein, 2008, p. 926). In Kaptein’s (2008) CEV model, transparency is divided into two components: horizontal and vertical. The first one, the horizontal component, refers to the extent to which employees are able to observe unethical behavior and its consequences within their work groups. The second, the vertical component, concerns the extent to which employees have the chance to observe unethical behavior and its consequences among supervisors and managers (bottom-up) and vice versa (top-down).

The seventh organizational virtue is *discussability*, which concerns the opportunities employees have to raise ethical issues for discussion. In an organization where there is a low level of discussability or debatability, criticism is not encouraged or accepted, and this can lead to unethical conduct (Kaptein, 1998). When employees are given opportunities to exchange, analyze, and discuss their experiences, this will also enable them to learn from the dilemmas others have faced and the mistakes they have made. The concept of moral muteness, introduced by Bird and Waters (1989), refers to a situation where moral issues are not openly discussed, which causes higher moral stress and a decline in the moral authority of normative expectations. Thus, avoiding talking about ethical issues reinforces unethical organizational culture and can predict the frequency of unethical behavior (Treviño, Weaver, Gibson, & Toffler, 1999). In an organization with a high degree of discussability, moral dilemmas and unethical behavior can be discussed. However, if employees are expected to report perceived violations of the organization’s normative behavior, they should feel that their work environment is secure, a place where moral and ethical issues can be raised in conversation without any fear of being mistreated. Baucus and Beck-Dudley (2005) have highlighted the role of senior management in creating room for in-depth discussions in situations when breaches in ethicality occur in order to learn from mistakes and understand better how to comply with expectations.

The eighth organizational virtue, *sanctionability*, refers to the extent to which unethical conduct is punished and ethical conduct is rewarded. If unethical conduct is tolerated or even encouraged in the organization, this will lead to the assumption that unethical conduct will not be punished or that it might even be appreciated (Kaptein, 1998), which will consequently undermine the effectiveness of norms. Sanctions are an important behavioral stimulus and a relevant source of normativity (Falkenberg & Herremans, 1995). According to Sutherland (1940, 1983), employees will avoid misbehaving if they expect any misbehavior to be punished and if the severity of punishment outweighs the potential reward. When managers reward employees for unethical behavior or fail to punish them for engaging in such behavior, they send a clear message

that unethical behavior is acceptable or desirable (Ball, Treviño, & Sims, 1994). Conversely, studies have shown not only that the more ethical conduct is rewarded, the less unethical behavior there is (Roman & Munuera, 2005), but also that a failure to acknowledge ethical behavior will reduce willingness to act ethically and may even lead to unethical conduct. Therefore, the eighth and final organizational virtue, sanctionability, refers to the reinforcement of ethical behavior through imposing sanctions on unethical behavior and rewarding ethical conduct.

## 1.2 Operationalization of ethical organizational culture

As discussed earlier, there has been a call for a unified and clear definition and measurement of ethical culture. In fact, Mayer (2014) argued in a review that the problems involved in operationalization may be one of the biggest problems overall in research on the ethical aspect of organizations. Until now, three different measures for ethical culture have been used, not only separately, but also together or in a combination of some of the items in different studies (see e.g., Koh & Boo, 2004; Ruiz-Palomino et al., 2013; Sweeney & Pierce, 2010). This has consequently resulted into little coherence in the measures used in studies of ethical culture, which makes it difficult to determine where and how far the different measures assess ethical organizational culture from the same perspective, which in turn may bring into question the interpretation of the results. The three previously mentioned widely used scales will be presented in more detail in the following sections.

Hunt, Wood and Chonko (1989) developed the first scale for studying organizational ethics. It is a one-dimensional, 5-item scale for measuring corporate ethical values. With only 5 points, the scale is rather limited in what it can reveal about different aspects of ethical culture (see e.g., Treviño et al., 1998). The next attempt to define and examine ethical culture was made by Treviño et al. (1998), who developed a 21-item measure where they mixed ethical culture items with ethical climate questionnaire items (Victor & Cullen, 1987, 1988) to investigate their interrelationship. They found out that after controlling for ethical climate, ethical culture was negatively related to unethical behavior and positively related to organizational commitment, explaining unique variance in these two outcomes. In addition, only one of four ethical climate items remained statistically significant after ethical culture was added to the model, which highlighted the role of ethical culture in preventing unethical behavior and increasing organizational commitment. However, as this was the first attempt to inspect ethical climate and culture variables in one study, Treviño et al. (1998) proposed that the measure for ethical culture should be refined in future studies. The latest questionnaire for measuring ethical organizational culture was developed by Kaptein (2008). The CEV scale has its advantages, since it is the only multi-dimensional and validated measure for ethical culture. The original questionnaire includes 58 items and eight distinct yet related virtues that

represent the ethical culture of organizations. Very recently, the validation of the scale has proceeded, for instance, from testing the construct validity and factorial group and time invariance to revising the scale to a shortened 32-item version (DeBode, Armenakis, Feild, & Walker, 2013).

### 1.2.1 Construct validity and factorial invariance of the CEV scale

Construct validity, sometimes also called factorial validity, is the correspondence between the underlying theorized construct and the operationalization of a construct (e.g., Campbell & Fiske, 1959; Cook & Campbell, 1979; Cronbach & Meehl, 1955). Construct validation is an ongoing process of simultaneously testing the validity of a measure and testing the theory defining the construct, where every new test provides additional information that does or does not support one's theory or validation claims (Strauss & Smith, 2009). With each new test, the validity evidence develops further. In the context of ethical organizational culture, construct validity investigates whether a set of items presented in the CEV scale are adequate definitions of ethical culture. One statistical and widely used method to study construct validity is confirmatory factor analysis (CFA) (e.g., Jöreskog, 1971, 2007; Sörbom, 1974). In order to test whether the CEV scale consists of the eight different theoretically based dimensions, virtues, and whether these dimensions load to an encompassing common factor of CEV, the use of CFA was essential.

One important component of construct validity is measurement equivalence, or measurement invariance. A crucial prerequisite when comparing groups, it confirms that the construct examined is conceptualized in a consistent way and that the strengths of the relations between items and their underlying constructs, virtues in the present study, remain the same in different contexts (e.g., Horn & McArdle, 1992; Meredith, 1993; Meredith & Teresi, 2006; Vandenberg & Lance, 2000). As Horn and McArdle (1992, p.117) put it: "The general question of invariance of measurement is one of whether or not, under different conditions of observing and studying phenomena, measurements yield measures of the same attributes". If there is evidence indicating that measurement invariance does not obtain, then scientific conclusions cannot be drawn about the differences between individuals and groups. Factorial invariance, which is subordinate to the more general and abstract concept of measurement invariance, is usually employed to demonstrate measurement invariance within a subset of factorial invariance tests (Bontempo, Hofer, & Lawrence, 2007; Meredith, 1993).

A few studies on the construct validity of the CEV have verified the work of Kaptein (2008) regarding the eight-factor structure that loads to the encompassing factor of overall ethical culture. Huhtala et al. (2011) verified the structure in the Finnish context. Instead, in a study conducted in China a seven-factor structure received support instead (Nie, 2016), which may be explained by cultural components. Nie (2016) rationalized that since insufficient resources are taken for granted in Chinese organizations, employees and managers do not identify the dimension of feasibility as part of the ethical organizational culture.

Two studies have also investigated the factorial validity of the CEV scale by using exploratory factor analysis (Mitonga-Monga & Cilliers, 2015; Novelskaitė & Pučėtaitė, 2014), although CFA is recommended when testing the validity of a scale. In addition to these studies, the longitudinal validity (time-invariance) has been examined in one study with two time points, showing that the eight-dimensional factor structure of the CEV scale is invariant across time (Huhtala, Kaptein, & Feldt, 2015).

The validity of the shortened 32-item version of the original CEV scale (DeBode et al., 2013) has been tested with CFA and it has received preliminary support in a Finnish context (Huhtala & Feldt, 2016). The validity has also been tested in a Lithuanian context (Novelskaite & Pučėtaitė, 2014), but with EFA. Thus, the psychometrical properties of the CEV scales have not yet been widely confirmed. For instance, the factorial group invariance of the theoretical structural model (i.e., the correlated eight-dimensional structure, as well as the second-order factor structure) has not been tested before for neither the 58-item nor the 32-item scales, and the time-invariance of the 58-item scale has been verified in only one study (see Huhtala, Kaptein, & Feldt, 2015). As the CEV scale is still a fairly recent tool in operationalizing ethical organizational culture, more and wider research is needed on this.

### **1.3 Consequences of ethical organizational culture**

To date, research on ethics in organizations has mainly concentrated on ways of promoting ethical behavior and reducing unethical conduct (see e.g., the reviews of Kish-Gephart et al., 2010; Treviño et al., 2006). Studies specifically examining the ethical culture of organizations and its associations with different outcomes have received less attention until recent years. So far, only a few publications have reviewed the literature on ethical culture and related research findings. In her dissertation, Huhtala (2013) reviewed the research findings related to the ethical context at work, and Mayer (2014) reviewed the literature on ethical culture and discussed it in a wider context. In the next section, those studies that have investigated ethical culture and related outcomes will be presented. Some of these can be found in the two abovementioned reviews; some will shed light on the latest research on ethical culture and related phenomena.

Although ethical culture is still a fairly new concept in research on the ethical context, it has recently been the object of more interest among scholars. In the past few years, the number of articles on the subject has increased considerably. For instance, studies have demonstrated that ethical organizational practices are related to organizational trust (Pučėtaitė et al., 2010, 2014), and ethical culture, examined with different measures, has a positive influence on better moral imagination (Caldwell & Moberg, 2007), ethical sensitivity (Singhapakdi, 1993), and whistleblowing (Kaptein, 2011b; Zhang, Chiu, & Wei, 2009). Furthermore, perceived organizational ethics has been shown to positively relate to

ethical judgement and intentions (Valentine & Barnett, 2007), ethics training and satisfaction with supervisors (Valentine, 2009), to mention just a few.

In current studies on the ethical culture of organizations, two measures are most commonly used to examine it. The Corporate Ethical Values Scale that was developed by Hunt, Wood, and Chonko in 1989 has been used in a number of studies, with different outcomes. Studies have revealed that ethical culture measured with this scale is positively associated with for example performance (Sharma, Borna, & Stearns, 2009), organizational justice (Baker, Hunt, & Andrews, 2006), organizational commitment (Hunt et al., 1989; Sharma et al., 2009; Valentine, Godkin, & Lucero, 2002), commitment and satisfaction via P–O fit (Andrews, Baker, & Hunt, 2011), personal values and ethical judgement (Douglas, Davidson, & Schwartz, 2001), ethical evaluation and intention to act (Sweeney, Arnold, & Pierce, 2010), social responsibility and organizational effectiveness (Vitell & Hidalgo, 2006), person–organization fit (Valentine et al., 2002), as well as job satisfaction and turnover intention, both directly (Valentine, Godkin, Fleischman, & Kidwell, 2011) and via perceived organizational support (Valentine, Greller, & Richtermeier, 2006).

Also, ethical culture, measured by the CEV scale, has been shown to positively associate with various outcomes, such as ethics programs (Kaptein, 2009), response in observed wrongdoing (Kaptein, 2011a) and less observed unethical behaviour (Kaptein, 2011b). Moreover, it has been shown to positively associate with ethical leadership (Huhtala, Kangas et al., 2013; Kangas et al., 2010), less turnover and intention to quit (Pihlajasaari et al., 2014), more organization-oriented career goals (Huhtala, Feldt et al., 2013), organizational innovativeness (Riivari & Lämsä, 2014; Riivari et al., 2012; Pučėtaite et al., 2016), organizational commitment via person–organization fit and engagement (Huhtala & Feldt, 2016), organizational trust via the leadership relationship (Pučėtaite et al., 2015), ethical strain (Pihlajasaari, Feldt, Lämsä et al., 2013; Pihlajasaari, Feldt, Mauno et al., 2013) and the well-being of organizational employees and managers (Huhtala et al., 2011; Huhtala, Kaptein, & Feldt, 2015; Huhtala, Tolvanen et al., 2015; Kangas et al., 2010). The scale has been used both to study the eight organizational virtues separately and the overall ethical culture. By studying the eight virtues separately, it is possible to identify the strengths and possible weaknesses in every organization with regard to ethical culture. Such knowledge enables organizations to concentrate on certain aspects of their culture's virtues and focus on developing the ones that need most attention. The present research concentrated on studying individual virtues in association with sickness absence and turnover. Table 2 shows all previous studies that have investigated the virtues of ethical culture separately. It gives a brief description of the associations of the virtues and outcomes studied.

TABLE 1 Review of the associations between ethical organizational culture's virtues and studied outcomes

Author(s) Year	Outcomes	Ethical organizational culture's virtues									
		CLAR	COSU	COMA	FEAS	SUPP	TRAN	DISC	SANC	CEV	
Kaptein (2009)	Ethics programs	+	+	+	0	0	+	+	+	+	
Kaptein (2011)	Employee responses to observed wrongdoing										
	Inaction	-	0	0	0	-	+	-	-		
	Confrontation	+	-	-	0	+	-	+	+		
	Reporting to management	+	+	0	0	+	-	+	+		
	Calling ethics hotline	+	-	+	+	+	0	-	+		
	External whistleblowing	-	-	-	+	0	+	-	-		
Riivari et al. (2012); Riivari & Lämsä (2014) Pučėtaitė et al. (2016)	Organizational innovativeness <sup>c</sup>										
	Product innovativeness	+	0	+	0	0	0	+	0		
	Market innovativeness	+	+	+	0	0	+	0	0		
	Behavioral innovativeness	+	+	+	0	0	+	+	+		
	Process innovativeness	+	+	+	0	0	+	+	0		
	Strategic innovativeness	0	0	+	0	0	0	+	0		
Pučėtaitė et al. (2015)	Organizational trust	+	0	+	+	+	0	+	0		



Pihlajasaari et al. (2013)	Ethical strain									
	Dilemmas encountered <sup>a</sup>	-	-	-	-	-	-	-	-	-
	Stress caused by dilemmas <sup>b</sup>	-	-	-	-	-	-	-	-	-
Pihlajasaari et al. (2014)	Turnover and intentions to quit									
	Turnover intentions	-	-	-	-	-	-	-	-	-
	Turnover	0	-	-	0	0	0	0	0	0
Kangas et al., 2010 (re- gression analyses for the virtues separately); Huhtala et al., 2011 (ethi- cal strain as a mediator); Huhtala, Tolvanen et al. 2015 (individual and work-unit level analysis, Huhtala, Kaptein, & Feldt, 2015 (person-oriented approach)	Employee well-being <sup>c</sup>									
	Burnout	-	-	-	-	-	-	-	-	-
	Work engagement	+	+	+	+	+	+	+	+	+

<sup>a</sup> Dilemmas A (Person does not know what to do) and B (Person knows what to do but does not act upon it) were combined

<sup>b</sup> Stress caused by either of the dilemmas A or B

<sup>c</sup> If the association has been found in majority of the studies, it has been marked in the table

(+) refers to a statistically significant positive association found in the majority of studies presented,

(-) refers to a negative relation between the concepts found in the majority of studies, and

(0) indicates that no connection has been found in any of the studies.

CLAR = clarity; COSU = congruency of supervisors; COSM = congruency of senior management;  
FEAS = feasibility; SUPP = supportability; TRAN= transparency; DISC = discussability; SANC = sanctionability

Most research on ethical culture has been conducted since 2000, and the majority of studies utilizing the CEV scale (Kaptein, 2008) for measuring ethical culture have been published during the past 5 years. Research on ethical culture is rapidly expanding and developing. As Kaptein (2011b) noted, most of the studies have been cross-sectional, and many of the ones published before 2010 relied mostly on regression analyses in evaluating the data. Since then, a few longitudinal studies utilizing different methods and samples have been published. In order to explore the direction and strength of the associations between ethical culture and the studied concepts, longitudinal studies with multiple measurement points are needed. In addition, it is important to examine how the ethical culture is perceived in different organizations and at different occupational levels, as well as in different countries, in order to build up a theory of it. Moreover, individual and shared perceptions of an organization's ethical values should be examined in order to determine whether perceptions of the organization's ethics are also shared within work units. This research exploited datasets relating to managers from different organizations in Finland, and employees in both public and private sector organizations. The methods included multilevel modeling, logistic regression analyses, and the combining of qualitative and quantitative information in order to have greater insight into the ethical culture of organizations. More specifically, this research inspected the construct validity and group invariance of the CEV model that was used to study ethical culture. The present research also examined the mainly unknown associations between ethical culture, sickness absence, job change among managers, and the reasons given for exiting the organization, thus breaking new ground in ethical culture research.

### **1.3.1 Sickness absence as an outcome of a weak ethical organizational culture**

Traditionally, absence from work has been viewed from many perspectives: as an indicator of health, as a path to exclusion, and as a cost to companies and society, to mention just a few. It has been studied from biomedical, macro-economic, socio-demographic, psychosocial and organizational perspectives, all of which have discovered factors that are related to sickness absence (e.g., Allebeck & Mastekaasa, 2004). Alexandersson (1998) divides the predictors of sickness absence into the national level, the workplace and/or community level, and the individual level. *The national level* is further divided into factors such as economic fluctuations, industrial development, work climate, composition of the labour force and social security system. For instance, during times of economic recession and unemployment, sickness absences tend to decrease, which has been explained in terms of people attempting to keep their job (Alexandersson, 1995). *The workplace and the work community* as a predictor of sickness absence includes factors such as physical and/or psychosocial demands, or absence cultures in the organization. *The individual level* includes individual features, such as age, gender, education and life habits, attitudes and motivation, feigning sickness, and coping strategies. Most of the studies have concentrated on individual-level factors, but all three structural levels may interact and mod-

ify each other. Partly because of this complexity, it has proven to be difficult to form holistic theories and subsequent intervention strategies that could incorporate all aspects of the phenomenon. However, there are a few widely known models that aim to explain absence behaviour (Allebeck & Mastekaasa, 2004), one of which proposes that absence is a result of an interaction between personal characteristics, social environment, and the work situation (Steers & Rhodes, 1978). In the present research, the focus was on the workplace and the work community level, and especially the ethical culture dimension at that level.

Absence literature has traditionally differentiated between involuntary and voluntary absences (E.g., Dalton & Mesch, 1991; Sagie, 1998; Steel, 2003), where the first refers to missing work because of factors beyond one's control, such as sickness, and the latter refers to missing work for reasons that one can control, such as taking time off for leisure. Involuntary absences have usually been measured by time lost, that is, absence duration, whereas voluntary absences have been measured by absence frequency, i.e., the number of spells or times an employee has been absent during a particular period, regardless of the length of each of those spells (Steel, 2003). The reason for separating absences into these two categories is related to an attempt to explain a larger proportion of criterion variance in order to improve predictability and stability. However, a major problem with this attempted separation is that the different measures of absence are not parallel, and this makes it difficult to determine measure stability. As Steel (2003) states in his meta-analysis, the existing data do not make a particularly strong case for the voluntary – involuntary argument. There are also other ways to distinguish between different types of absence from work (see e.g., Alexanderson, 1998), but it is not necessarily convenient to exploit this separation when studying sickness absence.

In Study II, the participants were asked to report the total amount of sickness absences they had had during the past year. Thus, absence was measured in terms of absence duration, i.e. the number of absence days throughout the year. This type of question setting leaves room for the “grey area” in interpreting the reasons for taking sick leave (e.g., Bakker et al., 2003). In fact, Steel (2003) argues that some proportion of voluntary absences will end up being misclassified as involuntary absences. In Study II, the focus was on self-reported sickness absence during the past year, and the division into voluntary and involuntary absences was not used because of the nature of the data. Thus, the measure that was used in Study II assigned a substantially higher absence value to those individuals with longer non-stop absence periods in comparison to those with many short-term absence periods. Nevertheless, the proposition was that reasons related to work circumstances, such as a less ethical culture, would associate with sickness absence. The expectation was that ethical organizational culture would associate with the number of annual absences regardless of the non-differentiation between short- and long-term absence spells.

Previous studies from the organizational and psychosocial perspectives have highlighted the role of organizational context in relation to sickness absence. For instance, fewer sickness absences have been found to occur in organizations

where there is fairness (Väänänen et al., 2004), organizational justice (Elovainio et al., 2002, 2005; Kivimäki, Elovainio, Vahtera, & Ferrie, 2003; Ybema & van den Bos, 2010), supportive culture and leadership (Head et al. 2007) as well as social support in work group (Eriksen, Bruusgaard, & Knardahl, 2003; Hanebuth, Meinel, & Fischer, 2006; Ishizaki et al., 2006; Melchior, Niedhammer, Berkman, & Goldberg, 2003; Michie & Williams 2003; Nielsen et al., 2006; Otsuka et al., 2007; Vahtera, Kivimäki, Pentti, & Theorell, 2000; Väänänen et al., 2003). These findings suggest that organizational factors that support good, ethical practices can prevent absenteeism and/or health problems among employees. Furthermore, a large number of studies have demonstrated that conditions such as low job control (Bosma et al., 1997; Ishizaki et al., 2006; North et al., 1996; Otsuka et al., 2007; Vahtera et al., 2000), high demands and pressure (Vahtera et al., 2000), low decision-making authority (Christensen et al., 2005; Kivimäki et al., 1997; Melchior et al., 2003) and psychological demands (Duijits et al., 2007) predict sickness absence. Many of these aforementioned psychosocial work characteristics that predict sickness absence are affected by and manifested through the organizational context. Thus, it is suggested that of the factors related to the work place, an *ethical culture* that promotes ethical values in the organization reduces possible voluntary absence spells and contributes to the health of employees.

Ethical organizational culture has indeed been shown to create organizational trust (Puçétaité et al., 2010) and commitment (Huhtala & Feldt, 2016; Hunt et al., 1989; Sharma et al., 2009; Treviño et al., 1998; Valentine et al., 2002) both of which are related to lower absenteeism (Davey, Cummings, Newburn-Cook, & Lo, 2009). Peterson & Wilson (2002) claimed that in order to examine work-related stress that can lead to sickness absence, the main focus of research should be organizational culture. Studies have shown that a stronger presence of ethical culture's virtues leads to less ethical strain (Pihlajasaari, Feldt, Lämsä et al. 2013; Pihlajasaari, Feldt, Mauno et al. 2013), more work engagement and less burnout (Huhtala et al., 2011, 2014) which, in turn, have been found to predict registered sickness duration and frequency (burnout negatively and engagement positively) (Schaufeli et al., 2009). In addition, ethical conflicts have been shown to associate with a higher rate of absenteeism (Thorne, 2010). These findings give reason to assume that the ethical culture in an organization could play a role in preventing sickness absence. An organization with ethical values and conduct not only provides identifiable values and clear ethical norms and expectations to its employees, but may also increase feelings of fairness and being treated well. Ethical culture can also provide support and guidelines for decisions in morally difficult or stressful situations. This in turn can lead to better well-being, as shown in previous studies, and possibly to fewer absences.

Sickness absence has been examined not only as an individual-level phenomenon but also as a form of illness behavior that can, for example, lead to shared feelings and affective attachment in the work group (Lämsä et al., 2000), and through beliefs, values and practices create absence cultures inside the organization (e.g., Chadwick-Jones et al., 1982; Rentsch & Steel, 2003; Xie & Johns, 2000). As Martin (2002) has argued, organizations rarely have a sin-

gle integrated and totally unifying culture; in reality, most organizations have differentiated subcultures, or the culture is fragmented. Subcultures may emerge especially when organizations grow and specialize (Schein, 1990). In the present study of a large public sector organization and one smaller private sector company, such subcultures within work units would be likely to emerge. There is evidence that work unit-level systemic variables may explain unit-level absence (Xie & Johns, 2000), meaning that absenteeism may be socially constructed within work units and across colleagues (Davey et al., 2009). For this reason, on top of studying individual absences, the question was whether shared perceptions of a low level of ethics in smaller work units can develop into shared ill-being and eventually into a larger number of sickness absence days per unit.

The research on sickness absence has largely focused on individual factors such as age, gender, educational level, lifestyle and so forth. Research has shown that women tend to have sickness absences more commonly than men (Krantz & Östergren, 2002; Laaksonen et al., 2010; Niedhammer et al., 1998; North et al., 1993; Voss, Floderus, & Diderichsen, 2001) but the reason for this may lie, for example, in the work place gender composition (Alexanderson et al., 1994; Laaksonen et al., 2010) or differences in the distribution of family responsibilities. Older workers have been found to take sick leave more rarely than younger ones, but their periods of sickness absence usually last longer than those of younger employees (Alexanderson, 1998; Eshoj et al., 2001; Lund et al., 2007; Marmot et al., 1995). Individuals with higher education (Ala-Mursula et al., 2002) and higher socioeconomic status (Alexanderson et al., 1994; Kivimäki et al., 1997; North et al., 1996) are shown to have less absence. Previous health, and sickness absence have been found to strongly predict future sickness absence (Andrea et al., 2003), which is why existing long-term sickness was controlled for in the analyses of Study II. The rest of the background variables controlled for in the analyses were chosen on the basis of previous research and included age, gender, and educational level.

There is now growing interest in organizational factors that can possibly prevent employees from taking sick leave. The aim was to expand ethical culture research into new avenues, since previous studies on the outcomes of an ethical organizational culture and occupational health have concentrated mainly on employee well-being in terms of ethical strain, burnout, and work engagement (Huhtala, 2013; Huhtala et al., 2011, 2014; Pihlajasaari et al., 2013, 2014). Means for reducing sickness absence should also be sought from ethical organizational practices, since sickness absence is affected not only by actual illness, but also by what sort of reactions sick leave provokes, i.e. by the attitudes and values in the workplace. As ethical organizational culture includes good leadership behavior and resources for performing one's job well, it is assumed that this will support employees facing difficult and demanding situations at work and will therefore reduce the likelihood of taking sick leave.

### **1.3.2 Managerial turnover and different reasons for leaving the organization**

Employee turnover and its antecedents have been popular topics for research for decades, but managers' departure from an organization and especially the

reasons leading up to it have been much less studied. Most of the studies investigating managerial turnover have concentrated on hospitality businesses, where the withdrawal rates are high (see e.g., Collins, 2010; Ghiselli, La Lopa, & Bai, 2001). However, there is a lack of recent knowledge about turnover among managers working in other business areas. In addition, most research has focused on turnover intention (see e.g., meta-analyses and reviews of Cotton & Tuttle, 1986; Griffeth, Hom, & Gaertner, 2000; Holtom, Mitchell, Lee, & Eberly, 2008). Even though many studies have established the link between turnover intention and subsequent job change (see meta-analyses of Griffeth et al., 2000; Tett & Meyer, 1993), some have found no associations between them (e.g., Semmer et al., 2014). Research has indicated that managers' withdrawal can have multiple negative consequences for an organization: it may create uncertainty among employees and affect their beliefs about the organization's future (Klotz & Zimmerman, 2015), and have an effect on the organization's vitality (Furtado & Karan, 1990) and performance (Hill, 2009). Despite many calls for additional research on the antecedents of job changes among managers (Hambrick et al., 2005; Lee & Ashforth, 1993), longitudinal studies are still mostly lacking. For organizations, it is important to understand the motives behind managers' job changes, since replacing a manager may be problematic and require a great deal of time, and managers' withdrawal may put inter-organizational contacts in jeopardy, creating a loss in terms of firm-specific human capital (Furtado & Karan, 1990). Since a manager's going can be detrimental to an organization, it is crucial to increase understanding of how to prepare for managerial turnover and how to reduce the probability of managers' leaving.

The turnover literature on voluntary job changes has sought explanations for the move in turnover intentions, attitudes related to the job, such as organizational commitment and satisfaction, and mechanisms related to searching for a new job (see e.g., the review of Steel & Lounsbury, 2009). Classic studies of managerial turnover have investigated organization-level variables, such as size, organizational demography, and performance (Harrison et al., 1988; Salancik, Staw, & Pondy, 1980; Wagner, Pfeffer, & O'Reilly, 1984). Later, the two most studied antecedents of managerial turnover have been organizational commitment (e.g., Carbery, Garavan, O'Brien, & McDonnell, 2003; Rosin & Korabik, 1995; Udo, Guimãrães, & Igbaria, 1997) and job satisfaction (Carbery et al., 2003; Rosin & Korabik, 1995; Vidal, Valle, & Aragón, 2007), both of which have received a lot of interest in the employee turnover literature in general (see e.g., Griffeth et al., 2000; Hom & Kinicki, 2001), although mainly in terms of turnover intention and in cross-sectional settings. It has even been suggested that the research on job satisfaction and organizational commitment as an antecedent of turnover has reached an impasse (Semmer et al., 2014), but new aspects of turnover, such as different types of leaving (see e.g., Homm, Mitchell, Lee & Griffeth, 2012), have been suggested. The role of organizational factors in commitment and satisfaction among retail managers' turnover has been established (Peterson, 2007) but the role of ethical culture in managers' withdrawal deci-

sions has remained largely unexplored; one exception is a study that found that a less ethical culture is related to turnover intentions and actual turnover two years later among managers (Pihlajasaari, Feldt, Mauno, Lämsä, & Huhtala, 2014). In addition, a less ethical culture increases the probability of managers having work goals related to changing jobs or giving up their career (Huhtala et al., 2013).

Turnover research has classically included two measurement points: the antecedents or the causal variables measured at T1, and turnover measured at T2 (Goodwin, Groth, & Frenkel, 2011). As Semmer et al. (2014) have reasoned based on Steel's (2002) theorizing, although this kind of study setting is useful when the linkages between antecedents and turnover are examined, the design is actually cross-sectional in most cases, with some exceptions (e.g., Boswell, Shipp, Payne, & Culbertson, 2009; Boswell, Boudreau, & Tichy, 2005). Even longitudinal study designs do not always succeed in measuring the variables close enough in time to confirm the relationships between processes that may occur almost simultaneously (Hom and Griffeth, 1991). A longitudinal study that includes multiple measurement points is significant especially in cases when the antecedents of job change are such that they can evolve or change over time (see Steel, 2002), as is the case with the ethical culture of organizations. A change in organizational culture is a process that takes time: for instance, change patterns for ethical culture over a two-year time period have been found (Huhtala, Kaptein, & Feldt, 2015). The two-year time frame is required, first of all, so that the individual entering the organization has enough time to observe and then socialize into the organization's culture. Second, if there is any experience of a misfit between the values of the individual and the organization, it may take time to come to the decision and take the necessary action to change jobs. Moreover, as the ethical culture in organizations may change in time, it is important to examine the perceptions of ethical culture at various time points. This way it is possible to see if a negative change in the perceptions of ethical organizational culture can predict subsequent job change.

Another gap in turnover studies that needs filling is in qualitative, in-depth knowledge about the reasons for job changes. Few studies have examined the reasons for turnover given by managers (Birdir, 2002; Rosin & Korabik, 1995), but those that have been carried out were either conducted over 20 years ago or had a very small sample size and lacked a theoretical framework. Nicholson and West (1988) raised the issue of managers' turnover decades ago, stating that job change lies at the center of a confluence of forces, such as constant pressure to update one's skills and knowledge in order to keep up with the labor market and to retain one's status as a potential recruit for another organization. They presented three manifestations of change: the growth of management as a profession, broadening job opportunities, and the heightened uncertainty of career trajectories. Job changes are both involuntary and voluntary responses to these trends in the job markets. Since then, working life has changed in many ways and ethical and moral questions have become an important consideration - at least in any discussion of the subject. Especially the

set of values the organization follows and the ways in which it operates have become important for job seekers. Despite these developments, qualitative information on the reasons managers give for changing jobs remains obscure for the most part, and especially in relation to the organization's ethical culture, which represents the values of the organization. The study of reasons managers give for leaving an organization can give us deeper insight into what leads to the decision to exit the organization. Quantitative information gained at multiple measurement points will make it possible to predict the effect of ethical culture on turnover, while qualitative answers will shed light on managers' perceptions. Understanding in these areas will make it easier to comprehend and prevent job changes in organizations.

In exploring the reasons for withdrawal from an organization, "push" and "pull" factors or motivators have been exploited. Most turnover research has, in fact, concentrated on "push" motivators, such as attitudes toward the current organization; less attention has been paid to "pull" factors, referring to attraction from outside the company, such as job offers or opportunities (e.g., DeHoog & Whitaker, 1990; Lee & Mitchell, 1994; Preenen, De Pater, Van Vianen, & Kaijzer, 2011). However, it has been shown that a voluntary job change is related to increased well-being among managers (Mäkikangas, Schaufeli, Tolvanen, & Feldt, 2013), which suggests that pull motivators do also lead to managers' job changes and that it is likely that managers move to better positions. Push-motivated quitting has been defined as a movement away from one's job as a consequence of an imbalance between the perceived costs and benefits of staying (March & Simon, 1958), whereas pull-motivated quitters are so-called "satisfied leavers", who may have been content with their previous organization but have decided to leave because attractive professional, financial, or personal career advancement possibilities have opened up to them (DeHoog & Whitaker, 1990; Mowday, Porter, & Steers, 1982). In the present research it was argued that ethical organizational culture is a favorable working environment that creates a good basis for attracting and keeping employees and managers in the organization. It was proposed that those managers who changed their jobs because of "push" motivation gave more negative evaluations to the ethical culture of the previous organization than those who had changed their jobs because of "pull" motivation, which is not expected to be linked with previous perceptions of the organization's ethical culture. In addition, it was expected that those managers who had not changed their jobs would evaluate their organization's ethical culture stronger than those who had withdrawn from the organization because of "push" factors. The present research is the first, to my knowledge, to study the self-reported reasons leading to managers' job changes, and the association of these reasons with (the virtues of) ethical culture. It was based on longitudinal data and a mixed-methods approach, combining quantitative data with open-ended questions in order to reveal the linkages between ethical culture and managerial turnover.



## **1.4 Theoretical frameworks utilized in explaining the associations between ethical organizational culture, sickness absence and turnover**

### **1.4.1 Ethical culture and sickness absence: Explaining the links with the Job-Demands-Resources model**

One theoretical framework that aspires to explain both ill-health and motivation at work is the Job Demands–Resources (JD–R) model developed by Demerouti et al. (Bakker & Demerouti, 2007; Demerouti & Bakker, 2011; Demerouti, Bakker, Nachreiner, & Schaufeli, 2001). The model has since been extended to the Job Demands–Resources Theory (Bakker & Demerouti, 2014). First of all, the JD–R theory proposes two general categories into which all the factors in the working environment can be placed: job demands (stressors) and job resources (health-promoting factors). Job demands refer to those physical, psychological, social, or organizational conditions or features of a job that require continuous psychological and/or physical effort, and are consequently associated with certain psychological and physiological costs (Demerouti et al., 2001). Examples of these would include emotionally demanding interactions at work and work or time pressure. Not all job demands are essentially negative, but they may become this when an individual's attempt to meet the demands requires too much effort in relation to the recovery from previous demands (Bakker & Demerouti, 2014). Job resources refer to those physical, psychological, social, or organizational features or aspects of a job that a) are useful in achieving work goals, b) reduce job demands and the related psychological and physiological costs, and c) stimulate personal growth, development and learning (Bakker, 2011; Bakker & Demerouti, 2007). Thus, job resources are important in their own right, not only as having a role in dealing with job demands.

The second central assumption of the JD–R theory is that job demands and resources trigger two psychologically different, though related, processes: a health impairment process and a motivational process. The health impairment process refers to tough, long-lasting job demands that consume energy and can lead to exhaustion and eventually to health problems, which in turn are related to sickness absence (e.g., Bakker, Demerouti, DeBoer, & Schaufeli, 2003; Hakanen, Bakker, & Schaufeli, 2006). The positive motivational process refers to job resources that meet basic psychological needs and that have motivational potential. Job resources may lead to organizational commitment and dedication (e.g., Bakker et al., 2003; Hakanen et al., 2006), which are related to turnover intentions (Bakker et al., 2003). The third, recent proposition put forward by the JD–R model is that there is an interaction between job demands and job resources in explaining occupational well-being. On the one hand, job resources are expected to buffer the impacts of job demands on strain that may lead to sickness absence, such as burnout. On the other hand, job demands amplify the impact of job resources on motivation or engagement, meaning that job re-

sources are most effective in boosting positive work outcomes when job demands are high (e.g., Bakker & Demerouti, 2014; Bakker, Hakanen, Demerouti, & Xanthopoulou, 2007; Bakker, Van Veldhoven, & Xanthopoulou, 2010; Hakanen, Bakker, & Demerouti, 2005).

In this research, the theoretical framework concentrated on both the health impairment process and the motivational process of the JD–R theory. On the one hand, it was assumed that an organizational culture that does not nurture ethical virtues will, through posing many psychological job demands and providing inadequate resources for performing one's tasks ethically, increase sickness absence in an organization. On the other hand, an ethical organizational culture that nurtures virtuous organizational practices can be considered a resource in itself, giving guidance in difficult situations and making it possible to discuss difficult issues and therefore to deal with them before the demands grow too large. Ethical culture has also already been found to promote individual well-being (e.g., Huhtala et al. 2011, 2015; Kangas et al., 2010; Pihlajasaari et al., 2013), and the corporate ethical virtues model used in this research includes organizational resources, such as adequate time and equipment to perform one's job well, and social resources, such as support from the organization and supervisors in acting ethically.

According to the JD–R theory, a lack of resources in the external environment eventually leads to a reduction in motivation and to withdrawal behavior (Bakker & Demerouti, 2014; Demerouti et al., 2001), as well as sickness absenteeism (e.g., Bakker et al., 2003; Clausen, Nielsen, Gomes Carneiro, & Borg, 2012; Schaufeli et al., 2009). From this perspective, a less ethical culture can act as a demand and stressor for the employee in terms of, for instance, insufficient resources, lack of support from peers and supervisors, and lack of opportunities to discuss ethical issues. In addition, in an organization where ethical virtues are not nurtured, members may not know how to behave in difficult situations or resolve demanding ethical decisions. To tackle such stressors, an individual has to use compensatory strategies which may, over a long time and with continuous pressure, lead to impaired well-being. It should be noted, however, that a virtue is a mean between two vices. From this it follows that the optimal situation for an organization might be to score relatively high in each virtue, following the golden mean underlined by virtue ethics. It is possible that high standards of ethical conduct set by an organization will in the long run appear to its employees to be a demand. For instance, this could encourage over-committed workers to work when ill, as reported in some studies (e.g., Hansen and Andersen, 2008). Thus, the nature and proportion of the organization's ethical demands and resources (i.e., ethical virtues in the present research) may be the key to understanding how they are associated with employee health. Job resources that have previously and frequently been studied include factors such as job control, support of supervisors, innovativeness, and a positive team or organizational climate (for a review, see Mauno, Kinnunen, Mäkikangas, & Feldt, 2010). However, contrary to the view of the present research, organizational culture, and especially its ethical aspect, have not before been considered a resource.

#### 1.4.2 Ethical culture and turnover: Explaining their links with Person–Organization fit and psychological contract theory

*Person–Organization fit* (P–O fit) refers to the relationships individuals and organizations have. According to Kristof (1996), P–O fit occurs when at least one party provides what the other needs and/or they have similar fundamental characteristics. The literature on P–O fit has focused on different dimensions of fit between the person and the organization, such as goals, needs-supplies, values, skills, and individual characteristics. Some scholars have mainly concentrated their studies on the congruence between individual and organizational values (e.g., Amos & Weathington, 2008; Chatman, 1989). According to Chatman (1989), the more congruent the values of an individual are with the values of an organization, the higher the levels of P–O fit. She stated that individuals actively search for organizations that have values they believe will match their own. In addition, she theorized that if an organization has strong values but the P–O fit is perceived to be low, the individual’s values may change through socialization processes to become more aligned with those of the organization, leading to a better P–O fit and greater commitment to the organization. As the meta-analysis of Hoffman and Woehr (2006) showed, most empirical research has focused on the values component of P–O fit.

A good fit between person and organization has been shown to positively associate with many work attitudes and behavioral outcomes (for a review, see Hoffman & Woehr, 2006; Verquer, Beehr, & Wagner, 2003), such as increased job satisfaction and organizational commitment (Cable & Judge, 1996; O’Reilly, Chatman & Caldwell, 1991; Silverthorne, 2004; Verquer et al., 2003), reduced turnover intentions (e.g., Cable & Judge, 1996; Hoffman & Woehr, 2006; Huhtala & Feldt, 2016; O’Reilly et al., 1991) and actual turnover (Hoffman & Woehr, 2006; O’Reilly et al., 1991). However, the antecedents of P–O fit are still relatively unknown. Coldwell, Billsberry, Van Meurs and Marsh (2008) assumed, following P–O fit theory, that individual perceptions of ethical organizational fit depend on their perceptions of the organization’s ethics and reputation, suggesting that individuals would be attracted to organizations that behave ethically. They propose that an organization’s ethical orientation and reputation impact significantly on the employees’ sense of P–O ethical fit. This proposition has been verified in a few studies showing that individuals in fact feel more compatible with organizations that share their values when these values are ethical (Andrews et al., 2011; Valentine et al., 2002). Andrews et al. (2011) also pointed out that although P–O fit theory assumes that unethically oriented individuals and organizations would have aligned values, too, their results actually showed that perceptions of P–O fit are enhanced when the organization displays high ethical culture. Two other recent multidimensional studies confirmed this finding, suggesting that companies are able to enhance perceptions of P–O fit when they display ethical values, follow codes of ethics, and have ethical business practices (Huhtala & Feldt, 2016; Ruiz-Palomino et al., 2013). They also found that P–O fit partially mediated the association between ethical culture and employee commitment (Huhtala & Feldt, 2016; Ruiz-Palomino et al., 2013) and turnover intentions (Huhtala & Feldt, 2016).

Thus, it seems probable that individuals are more likely to choose to stay in an organization that has an ethical culture than in one that upholds unethical values.

*The psychological contract theory* (Rousseau, 1989, 1995) is rooted in social exchange theory (Blau, 1964). It emphasizes social exchanges and reciprocal processes in establishing and maintaining the relationship between employee and employer. Rousseau (1989, p. 23) defined it as “an individual’s beliefs regarding the terms and conditions of a reciprocal exchange agreement between the focal person and another party”. A psychological contract is formed when employees in the initial phases of their employment relationship are promised certain resources, which will then guide them toward performances the organization will value in return for the favorable treatment they have received (Aselage & Eisenberger, 2003). However, psychological contracts are subjective, perceptual and unwritten, which is why they may not be shared by the other party to the exchange (Morrison & Robinson, 1997; Rousseau, 1989). As they have mainly been explored only from the employee’s perspective, it may be that the employer holds different views of the content of the contract (Coyle-Shapiro & Kessler, 2000; meta-analysis by Zhao, Wayne, Glibkowski, & Bravo, 2007).

A breach in the psychological contract occurs when an employee believes that the organization has failed in fulfilling its obligations to her/him (Morrison & Robinson, 1997). As Rousseau (1989) put it in her original work, a failure to meet the terms of the psychological contract damages the relationship between the individual and the organization, and thus violates the trust on which the contract is based. A violation of the psychological contract has been shown to relate to job dissatisfaction and lowered professional commitment (Suazo, Turnley, & Mai, 2005), absenteeism (Deery, Iverson, & Walsh, 2006; Sturges, Conway, Guest, & Liefoghe, 2005) and turnover intention among both employees (Sturges et al., 2005; Suazo et al., 2005) and managers (Carbery et al., 2003; Shahnawaz & Goswami, 2011). One meta-analysis (Zhao et al., 2007) revealed that compared with the impact of met expectations shown in a previous meta-analysis (Wanous, Poland, Premack, & Davis, 1992), a breach of the psychological contract had larger effect sizes in magnitude on job satisfaction (.54 vs. .39), turnover intentions (.42 vs. .29), and in-role performance (.24 vs. .11). On the other hand, the meta-analysis showed that the only non-significant consequence of psychological contract breach was on actual turnover: although employees responded to psychological contract breach with negative attitudes and intentions to quit, they did not withdraw from the organization (Zhao et al., 2007), implying that a breach of the psychological contract does not alone explain turnover behavior.

In the present research, the psychological contract theory was utilized to explain how an organizational culture scoring lower in ethical virtues might lead to actual turnover among managers. If the psychological contract is fulfilled, it is assumed that the individual feels that the organization has kept the promises it made in the recruiting phase, such as treating employees well and providing sufficient resources. If, on the other hand, the individual perceives that the contract has been violated or breached, for example that he/she has been misled in terms of the job description or treated unfairly, this may ultimately lead to withdrawal

from the organization. In fact, one study that was based on interviews with managers who had turnover intentions revealed that those managers with an intention to leave had perceived a breach in the psychological contract, as they were disappointed at the unfulfilled commitments made in the recruiting phase (Collins, 2010). The managers perceived that they themselves had honored their reciprocal responsibilities. Ethical culture (Andrews et al., 2011) and ethical values have been shown to strengthen the psychological contract by improving social exchanges within an organization (O'Donohue & Nelson, 2009; Rousseau, 1995; Sims, 1991; Valentine et al., 2002). According to Sims (1991), the link can also be established the other way around: clarification of ethical issues in the psychological contract can contribute to building a strong ethical organizational culture, which in turn has been found to relate to fewer turnover intentions (e.g., Pettijohn, Pettijohn, & Taylor, 2008; Valentine et al., 2011). In the present research, psychological contract was, in addition to P-O fit, used as a framework to explain the process of how a less ethical culture can lead to withdrawal from the organization.

## 1.5 Aims of the research

The aim of the present research was to shed more light on possible links between the research tradition of business ethics in organizations, i.e. the ethical organizational culture, and sickness absence and turnover (Figure 2). Specifically, the first main aim was to test the factorial validity (factor structure and factorial invariance across organizational samples) of the CEV scale (Kaptein, 2008) in order to build upon the construct validity of the scale (Study I). The second main aim was to investigate whether individual-level and work-unit level perceptions of ethical organizational culture are associated with both individual and shared (work-unit level) sickness absence in a large public city sector organization (Study II). The third aim was to investigate the associations of managers' perceptions of ethical organizational culture to their later turnover and reasons for job changes (Study III).

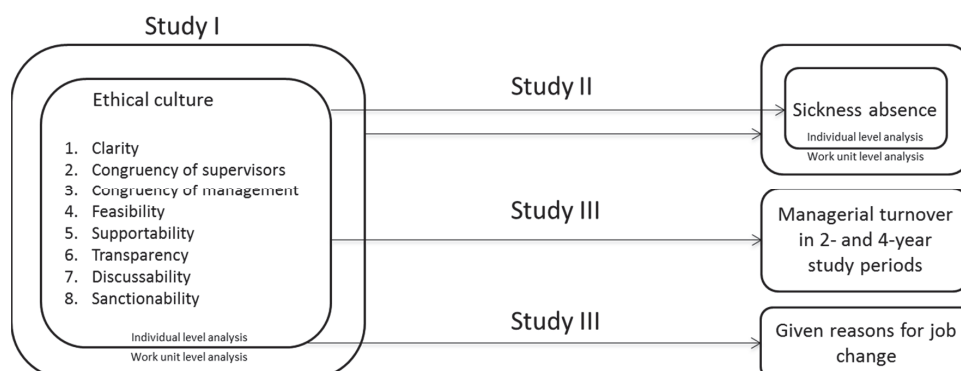


FIGURE 2 Theoretical model of the research setting

## 2 METHOD

### 2.1 Participants

The data for this research was gathered as part of two projects: Ethical Strain in Managerial Work, and Ethical Organizational Culture and Occupational Well-being. The studies were based on three different datasets. The first dataset (Study I) consisted of four samples that together contained 3,098 Finnish participants from two organizations. The first organization operated in the private sector (consulting and engineering), and the second large municipal organization operated in the public sector. The second dataset (Study II) consisted of all members of this aforementioned public sector organization, which included four service areas consisting of 246 smaller units (see Figure 3). The third four-year three-wave dataset (Study III) comprised Finnish managers working in different organizations in technical and commercial fields. The background information of the participants in Study I, II, and III are presented in Table 2.

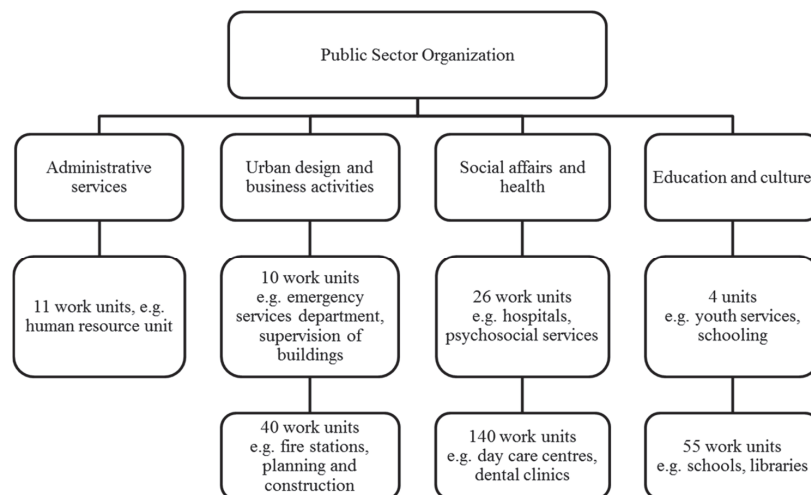


FIGURE 3 The hierarchical structure of the public sector organization that was studied

TABLE 2 Background Information on the Respondents of Studies I, II and III

Study samples	Study I: Public sector city organization (four units) and private engineering company				Study II: Public sector city organization with four units				Study III: Finnish managers from different organizations		
	(1)(2)	(3)	(4)	(5)	(1)	(2)	(3)	(4)	T1: 2009	T2: 2011	T3: 2013
	n = 434	n = 677	n = 1719	n = 268	n = 119	n = 315	n = 677	n = 1719	n = 902	n = 464	n = 455
	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)	n (%)
Gender											
Female	289 (67)	506 (75)	1619 (94)	60 (22)	93 (78)	196 (62)	506 (75)	1619 (94)	273 (30)	149 (32)	141 (31)
Male	145 (33)	171 (25)	100 (6)	208 (78)	26 (22)	119 (38)	171 (25)	100 (6)	629 (70)	315 (68)	314 (69)
Mean Age (SD)									46.4 (9.3)	48.1 (9.1)	50.5 (9.2)
Range									25–68	27–70	29–72
Age groups											
–30	26 (6)	60 (9)	235 (14)	48 (18)	5 (4)	21 (7)	60 (9)	235 (14)			
31–40	94 (22)	152 (23)	322 (19)	72 (27)	18 (15)	76 (24)	152 (23)	322 (19)			
41–50	118 (27)	238 (35)	557 (32)	66 (25)	25 (21)	93 (30)	238 (35)	557 (32)			
51–60	155 (36)	193 (28)	521 (30)	68 (25)	56 (47)	99 (31)	193 (28)	521 (30)			
61–	41 (9)	34 (5)	84 (5)	14 (5)	15 (13)	26 (8)	34 (5)	84 (5)			
Education											
Basic <sup>a</sup>	18 (4)	17 (3)	74 (4)	2 (1)	1 (1)	17 (5)	17 (3)	74 (4)			
Upper secondary <sup>b</sup>	239 (55)	222 (33)	1060 (62)	64 (24)	63 (53)	176 (56)	222 (33)	1060 (62)			
Higher <sup>c</sup>	177 (41)	438 (64)	585 (34)	202 (75)	55 (46)	122 (39)	438 (64)	585 (34)			
Position											
Employee	332 (76)	614 (91)	1580 (92)	213 (80)	101 (85)	231 (73)	614 (91)	1580 (92)			
Manager	102 (24)	63 (9)	139 (8)	55 (20)	18 (15)	84 (27)	63 (9)	139 (8)			
Managerial level											
Upper									123 (14)	74 (17)	62 (16)
Middle									629 (70)	302 (67)	251 (67)
Lower									150 (16)	70 (16)	64 (17)

1) Administrative services 2) Urban design & business 3) Education & culture 4) Social affairs & health 5) Engineering company

<sup>a</sup>Nine-year basic education; <sup>b</sup> General and vocational education and training; <sup>c</sup> Provided by universities and polytechnics

The data used in Study I was collected in May 2011 via an Internet-based questionnaire that was sent to all members of the public sector organization (four service areas,  $N = 8,366$ ) and the engineering company ( $N = 536$ ). Of the members of these two organizations, 3,608 respondents filled in the questionnaire. The response rate was 41% (3,608 of 8,902). In the final sample, those participants who had provided information regarding the CEV items ( $n = 3,098$ ) were included.

Study II included those public sector organization members who had responded to the questionnaire ( $n = 3,308$ ), which yielded a total response rate of 40% (3,308 of 8,366). For further analysis, only those respondents who had provided information on the CEV items and of their sickness absences, and whose work unit was known, were included ( $n = 2,192$ ).

Study III consisted of participants who were working in managerial positions in different organizations. The original sample of managers working in technical and commercial fields ( $N = 3000$ ) was randomly selected from the membership registers of two Finnish national labor unions (The Finnish Association of Business School Graduates,  $n = 1500$  and The Finnish Association of Graduate Engineers,  $n = 1500$ ). According to statistics presented by Ahtiainen (2011), 67% of employees in Finland were part of a labor union organized according to industry, which is why our sample is representative of Finnish business school graduate managers as well as academic engineers and architects. The data was collected in 2009 (T1), 2011 (T2) and 2013 (T3). In the fall of 2009, 1,271 managers responded to a pen-and-paper questionnaire survey. The final baseline sample included 902 managers, after those respondents who did not belong to one of the target groups (e.g., did not work in a managerial position, or were unemployed) were omitted. The response rate in 2009 was 34%. In 2011 (T2), the questionnaire was sent to those managers who had participated in the study at the baseline measurement and had not declined to be contacted again ( $N = 728$ ). In total, 464 participants were included in the final sample, yielding a response rate of 64%. That is, of the baseline sample in 2009 (T1;  $n = 902$ ), 51% also participated in the follow-up study in 2011 (T2). In 2013 (T3), the questionnaire was sent again to those 687 managers who had participated at the study baseline and had not in previous measurements declined to be contacted again. Altogether 455 respondents participated at this stage of the study, yielding a response rate of 66% in 2013 (T3).

A summary of the main study aims, participants, variables and data analysis are presented in Table 3.



TABLE 3 Summary of the aims, participants, variables and data analyses used in the original studies

Study samples	Participants	Variables	Data analyses
Study I Factorial validity and factorial invariance of the CEV scale.	Four organizational samples including respondents who had provided some information on the CEV items were included (n = 3,098). 80% of the respondents were women.	Ethical organizational culture - 58-item CEV scale	Confirmatory Factor Analysis (CFA)  ANOVA  Satorra-Bentler scaled $\chi^2$ -difference test
Study II Relationship between ethical culture and sickness absence at the individual and work unit level.	Members of a public sector organization (four service areas, 246 units). Respondents who had provided some information on the CEV items and their sickness absence were included (n = 2,192). 84% of the respondents were women.	Ethical organizational culture - 58-item CEV scale (sum scores of the virtues) Sickness absence - self-evaluated absences over the past year Background variables gender, age, educational level, long-term sickness (yes/no)	ML-SEM (individual and work-unit level analysis at the level of the smallest unit)  Correlations
Study III Associations between ethical culture and managerial turnover, as well as the reasons the participants gave for their job change.	Four-year three-wave sample of Finnish managers from different organizations (n = 902 (T1); 464 (T2); 455 (T3)). 70% of the respondents in the baseline study were men.	Ethical organizational culture 58-item CEV scale Turnover - Participants were asked whether they had changed their job during the past two years (yes/no) Reasons for changing jobs - Open-ended question about the exact timing and major reason for changing job (turnover calendar) Background variables gender, age, managerial level	$\chi^2$ tests (gender and managerial level); t-tests and ANOVAs (age)  Logistic regression analyses  ANCOVA analyses  Thematic categorization of job change reasons

## 2.2 Attrition analyses

The attrition analyses were performed for gender and age in Studies I, II and III, as well as for managerial level in Study III.

Study I: The attrition analysis showed that the participants who provided some information on the CEV items and who were consequently chosen as the final sample of this sub-study represented the whole population well. Of the respondents from the municipal organization's unit of education and culture, men were under-represented and women slightly over-represented compared to the whole population, and in the group of respondents from the engineering company men were under-represented compared to all members of the organization. In general, some slight differences in age groups were found between the study groups and the general population. Especially clear was the lack of 31–40 year old respondents; they were under-represented in most of the groups examined.

Study II: The attrition analysis showed that women were over-represented ( $\chi^2(1) = 166.81, p < 0.001$ ) compared to the original sample. Of the age categories, under-30 and over-60 age groups were under-represented, and the 41-50 age group over-represented ( $\chi^2(4) = 89.29, p < 0.001$ ) among the respondents. Of the background variables, gender and age were included in the attrition analysis since they were the only variables applying to the whole organization.

Study III: Attrition analysis showed that the baseline sample in 2009 ( $n = 902$ ) included slightly more women than the original sample ( $N = 3000$ ) [ $\chi^2(1) = 6.07, p < 0.05$ ], and that the respondents were a year younger on average [ $t(1751) = 2.69, p < 0.01$ ]. The analysis also showed that the respondents at T2 ( $n = 451$ ) did not differ from those who had left the study after the baseline measurement ( $n = 451$ ). Moreover, no differences were found between the respondents at T3 ( $n = 308$ ) and the ones who had left the study ( $n = 594$ ).

## 2.3 Measures

### 2.3.1 Ethical organizational culture

Ethical organizational culture was studied as an independent variable in Studies I, II and III. Ethical culture and its eight sub-dimensions were measured with the Finnish version of the 58-item Corporate Ethical Virtues (CEV) questionnaire developed by Kaptein (2008). The original Dutch version of the scale was first translated into Finnish and later translated back again to Dutch by linguistic professionals (see Huhtala, 2013). The back-translation was revised with minor changes that were approved by the original developer of the questionnaire. The scale consists of eight dimensions, which are: *clarity* (10 items, e.g., "The organization makes it sufficiently clear to me how I should obtain proper authorizations"); *congruency of supervisors* (6 items, e.g., "My supervisor sets a

good example in terms of ethical behavior"); *congruency of senior management* (4 items, e.g., "The conduct of the Board and (senior) management reflects a shared set of norms and values"); *feasibility* (6 items, e.g., "I have insufficient time at my disposal to carry out my tasks responsibly"); *supportability* (6 items, e.g., "In my immediate working environment, an atmosphere of mutual trust prevails"); *transparency* (7 items, e.g., "If a colleague does something which is not permitted, my manager will find out about it"); *discussability* (10 items, e.g., "In my immediate working environment, there is adequate scope to discuss unethical conduct"); and *sanctionability* (9 items, e.g., "In my immediate working environment, ethical conduct is rewarded"). The response scale spanned from 1 (strongly disagree) to 6 (strongly agree), and negatively worded item scores were reversed. On this scale, a higher mean score indicates a higher level of ethical organizational culture. The structural validity of the CEV scale has been shown to be good in the sample of managers examined in this study (Huhtala et al., 2011; Huhtala, Kaptein, & Feldt, 2015), but the factorial group invariance has not been tested before.

### 2.3.2 Sickness absence

Sickness absence was examined in Study II by asking the participants to report how many days they had been absent from work because of their own sickness over the past year (absence duration). The one-year time interval is a common time frame in sickness absence research (Steel, 2003). Answers were categorized on a 5-point scale (1 = no sickness absence (23%), 2 = 1–3 days absence without medical certificate (24%), 3 = 4–9 days absence (25%), 4 = 10–23 days absence (19%), 5 = more than 24 days absence (9%) and used as a continuous variable. The single-item question and the categorization of responses were implemented in line with the Work Ability Index developed by the Finnish Institute of Occupational Health (Tuomi et al., 1994).

### 2.3.3 Turnover

Managers' job changes were investigated in Study III. The participants were asked in 2011 (T2) and 2013 (T3) whether they had changed their job during the previous two years (yes/no). The turnover information reported by the participants was double checked and compared to the background variables reported two years earlier (e.g., years worked in the company) to correct false responses. For example, if a participant answered that they had not changed their jobs in the past two years but responded elsewhere in the survey that they had been only one year in the current company, then the answer was corrected.

In 2013 (T3) managers were asked an open-ended question about the exact timing of and major reason for changing their job. A 'turnover calendar' was developed for this study, on which the respondent was asked to mark the year and month they had changed their jobs. After marking the timing of the job change, the participants were asked to write the reason(s) for their move in a separate empty space. Among the advantages of this type of open-ended ques-

tion are that it allows respondents to include more information, including feelings and attitudes, to answer in detail, and to qualify and clarify their responses. Then the reasons the managers had retrospectively given in their open-ended answers for their first change of job during the time period between T1 and T3 were analyzed. The reasons were categorized on the basis of these answers into five different job change reason categories, which will be presented later.

### 2.3.4 Background variables

In Study II, the background variables controlled for included age, gender, educational level, and long-term sickness. These variables were chosen on the basis of previous research showing that women tend to have sickness absences more commonly than men (Krantz & Östergren, 2002; Laaksonen et al., 2010), older workers take sick leave less frequently than younger ones but their sickness absence periods usually last longer than those of younger employees (Alexanderson, 1998; Eshoj et al., 2001; Lund et al., 2007; Marmot et al., 1995), and a repeatedly shown association between high socioeconomic status and low absence (Alexanderson et al., 1994; Kivimäki et al., 1997; North et al., 1993). However, studies finding no association between these demographic factors and sickness absence have also been reported and some studies suggest that the associations may be dependent on gender (e.g., Blank & Diderichsen, 1995; Väänänen et al., 2003).

In Study III the background variables to be controlled for in the analyses included gender (male/female), age (in years), and managerial level (upper management/management/upper middle management/lower middle management). Studies have shown that younger employees are more likely to change their jobs (e.g., Mayer & Schoorman, 1998; Moynihan & Landuyt, 2008). Regarding gender, studies have yielded inconsistent results, some of them showing that a higher organizational position relates to turnover, and others showing the opposite (see e.g., review of Moynihan & Landuyt, 2008).

## 2.4 Analyses

The data analyses that are briefly presented below are described in more detail in the original papers I–III. Study I was conducted using confirmatory factor analysis (CFA) to examine the factorial validity and measurement invariance of the CEV scale across organizational samples. The differences between the evaluations of ethical organizational culture in the samples were analyzed with ANOVAs. Study II was conducted using the Multilevel Structural Equation Modeling technique (ML-SEM) to investigate both the individual (within-level) and shared (between-level) perceptions of the ethicality of organizational culture and their associations with sickness absence. In Study III, logistic regression analyses were used to study the association between the virtues of ethical culture and managers' job change, and ANCOVA analyses were conducted to

study whether the virtues were associated with the reasons managers gave for their job change. The analyses were conducted with IBM SPSS Statistics (Version 19–22), and the Mplus Statistical Package (Version 6, Muthén & Muthén, 1998–2010).

## 3 OVERVIEW OF THE ORIGINAL STUDIES

### 3.1 Study I

#### **The Corporate Ethical Virtues scale: factorial invariance across organizational samples**

Study I investigated the construct validity of the 58-item CEV scale (Kaptein, 2008) utilizing a multi-sample set of data gathered in Finnish organizations. The aims were to test in four different organizational samples operating in the private and public sectors (total N = 3,702), whether: 1) the CEV scale consists of the eight correlated factors of clarity, congruency of supervisors, congruency of senior management, feasibility, supportability, transparency, discussability, and sanctionability (see Figure 4a), 2) these eight factors load into the encompassing higher-order factor (see Figure 4b), and 3) the factor structures remains the same across the samples, supporting the group invariance assumption of the scale. The hypothesized correlated eight-factor and second-order factor structures of the CEV-scale are shown in Figure 4.

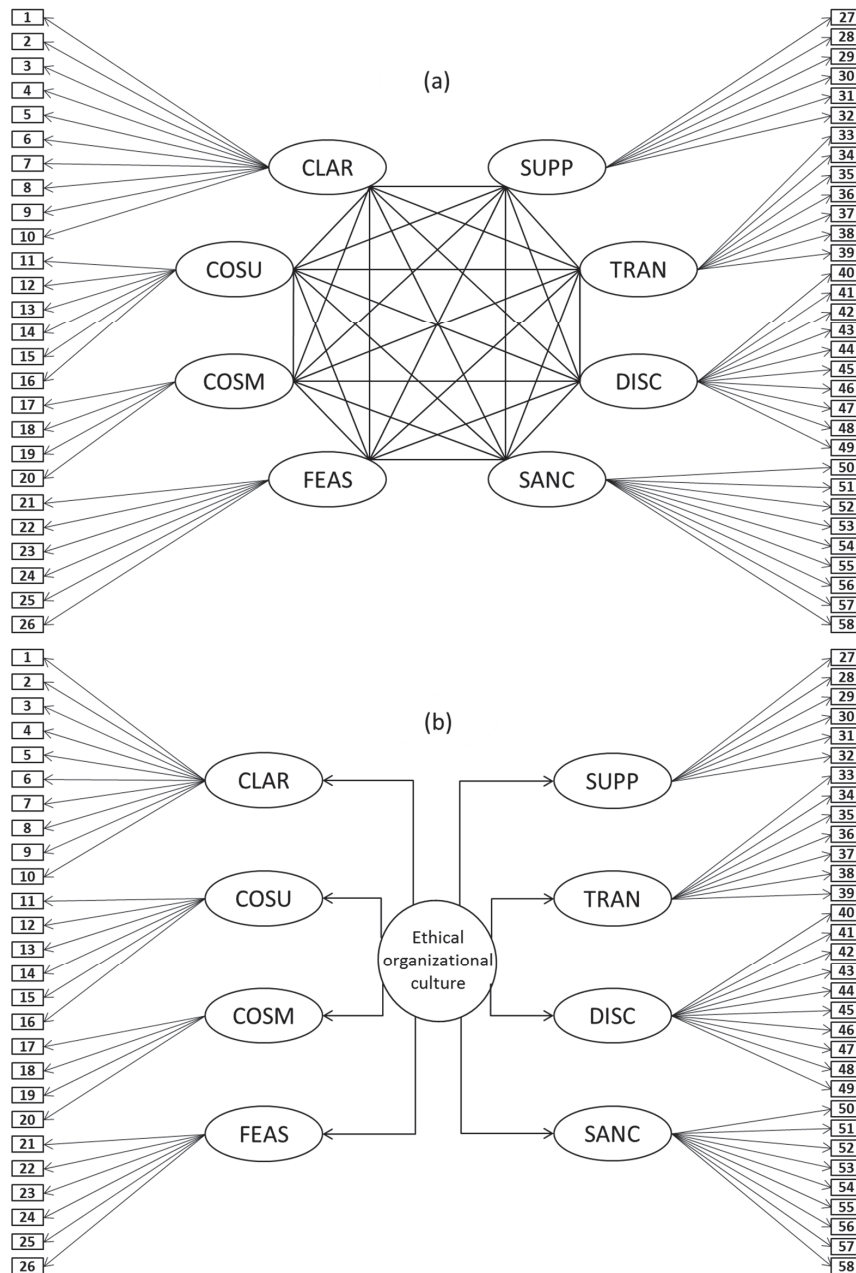


FIGURE 4 The CEV scale: a) correlated eight-factor structure, b) second-order factor structure with eight first-order factors. CLAR = clarity; COSU = congruency of supervisors; COSM = congruency of senior management; FEAS = feasibility; SUPP = supportability; TRAN = transparency; DISC = discussability; SANC = sanctionability

The results of confirmatory factor analyses supported the hypothesized correlated eight-factor structure. In all samples, the CFI and TLI values approached or met the criterion value of 0.90, and RMSEA and SRMR provided mostly good values, namely 0.05. In all of the studied samples, the factor loadings ranged between 0.59–0.85 for clarity, 0.69–0.96 for congruency of supervisors, 0.61–0.97 for congruency of senior management, 0.48–0.79 for feasibility, 0.75–0.88 for supportability, 0.56–0.88 for transparency, 0.73–0.95 for discussability, and 0.50–0.96 for sanctionability. However, the fairly high correlations between the eight factors also indicated relatively high intercorrelations between the factors, and therefore the alternative second-order factor structure was tested. There these high correlations between the first-order factors (virtues) were explained by a general CEV factor. Also this second-order factor got support in the results. CFI and TLI values again approached or met the criterion value of 0.90 (ranging between 0.87–0.91,  $M = 0.90$ ), RMSEA and SRMR ranged between 0.04 and 0.06. Finally, in line with expectations, strong support for the group invariance assumption of the scale was found, as the factor structures (including factor loadings) remained very similar across samples. Thus, the 58-item CEV scale was found to have good construct validity and can be recommended as a tool for measuring the ethical organizational culture in different organizations in Finland.

## 3.2 Study II

### **Is the ethical culture of the organization associated with sickness absence? A multi-level analysis in a public sector organization**

Study II investigated the links between ethical organizational culture and employee sickness absence using multilevel modeling. The main aim was to examine whether perceptions of ethical culture are associated with sickness absence in a Finnish public sector organization at both the individual (within-level) and work unit (between-level) levels. The underlying assumption was that employees working for organizations that are characterized by a strong ethical organizational culture report less sickness absence. Study II was conducted among employees from one municipal organization ( $n = 2,192$ ) that included 246 different work units.

The results of ML-SEM showed that at the individual level, strong perceptions of the virtues of the ethical culture were associated with fewer sickness absences after controlling for the background factors (gender, age, educational level, long-term sickness). At the work-unit level, feasibility was the only virtue that was associated with sickness absence, and this link was not found after all the background factors were controlled for in the model. The results also showed that 12% (feasibility; resources for ethical behavior) to 27% (supportability; support for ethical behavior) of the variance in the ethical culture construct was explained by the clustering structure (i.e., work unit) of the data. For



sickness absence, the intercorrelations were 4%, suggesting that sickness absence is rather an individual-level outcome that can also result from other than work-related factors. This sample suggests it is not a trend that can be found in certain work-units more than others. A closer look at the individual-level analysis showed that the virtues of the supervisor's ethical role modeling and the possibility of discussing ethical issues stood out as having the strongest associations with sickness absence in the organizations.

### 3.3 Study III

#### **Why do managers leave their organization? Investigating the role of ethical organizational culture in managerial turnover**

Study III investigated ethical organizational culture as a predictor of managers' job changes. The main purpose of this study was to quantitatively examine whether an ethical organizational culture predicts turnover among managers. To complement the quantitative results, a further important aim was to examine the self-reported reasons the managers gave for their job changes, and to study the associations between the virtues of the ethical organizational culture and these reasons. Study III was carried out among Finnish managers over a four-year period (2009–2011–2013).

To investigate the associations between ethical culture virtues and managers' job changes, logistic regression analyses were performed for three different subsamples. The first subsample included managers who had responded to the CEV questionnaire in T1 and provided information in T2 about whether they had changed their job during the previous two years (T1–T2). The results of this first subsample (n = 451) showed that of the eight virtues investigated, congruency of supervisors and congruency of senior management were negatively related to turnover. The second subsample (n = 308) included those managers who had evaluated their current organization's ethical culture at T2, and who had indicated in T3 whether or not they had changed jobs during the previous two years (T2–T3). In this subsample, four of the eight virtues were associated with job changes. In addition to congruency of supervisors and congruency of senior management, also discussability and sanctionability were related to job changes. The third subsample (n = 410) included those respondents who had filled in the CEV questionnaire in T1 and who reported in T3 whether or not they had changed their job during the previous four years (T1–T3). The results showed that of the virtues, congruency of supervisors and congruency of senior management were linked with subsequent turnover during the four-year study period.

The fourth subsample (n = 382) consisted of those managers who had retrospectively given the reasons for their turnover in response to an open-ended question regarding their first change of job during the time period between T1 and T3 (n = 124) and those managers who had not changed their job during this

four-year study period (n = 258). The reasons managers gave for their job change were categorized according to the managers' answers. The following reason categories were found: (1) lay-off (n = 44), which included managers who were laid-off or had negotiated a lay-off package or received severance pay, (2) career challenges (n = 38), which included managers who wanted to develop professionally and were searching for new career challenges, (3) dissatisfaction with the job or organization (n = 17), which included managers who had experienced value misfit, poor leadership, or were dissatisfied with their jobs, (4) organizational change (n = 13), including managers facing different organizational changes, usually mergers and acquisitions, that had required them to change their position as the organization itself changed, (5) decreased well-being/ motivation (n = 12), including those managers who had motivational problems and/or whose well-being was lower for a variety of reasons, including stress and exhaustion. More detailed examples of these categories of turnover reasons are presented in the original article.

These turnover groups were then compared to the group of stayers (n = 258, respondents who had not changed their jobs during the past four-year period) in order to see whether their perceptions of the ethical culture virtues were associated with the reasons managers gave for their job changes (ANCOVA analyses). In addition, because the virtues were analyzed separately, it was possible to examine which of the sub-dimensions of ethical culture were most strongly associated with certain turnover reasons. The results showed that those managers who stayed in their organization perceived their ethical culture to be stronger than did the managers in the turnover groups. However, not all the turnover groups differed statistically significantly from the stayers group: especially groups 3 (dissatisfaction with the job or organization) and 5 (decreased well-being/motivation) perceived many of the ethical culture virtues to be weaker than did those managers who did not change their job, but also than the managers who changed their job due to mergers and acquisitions.

To sum up the results, Study III showed that ethical virtues in an organization can decrease manager turnover and encourage managers and supervisors to want to remain in their organization. Especially congruency of supervisors and senior management, but also discussability and sanctionability, were perceived as important virtues in preventing managers from exiting the organization. The open-ended answers on the reasons for turnover also showed that stayers perceived the ethical culture's virtues more positively compared to most of the turnover groups. The results also indicated that the turnover group is not homogeneous and the reasons for leaving may vary widely, which is why the reasons for withdrawing from an organization should be investigated, too.

## 4 DISCUSSION

Interest in and research on organizational ethics has been growing in the past decades, and the ethical scandals scrutinized in media have directed more attention to the ethicality of organizations and their leaders. Companies have created committees, officers and codes for ethics in order to have for example better risk management, organizational functioning and market positioning. However, in order to avoid ethical failures, one should look deeper and more closely into the operational processes and culture of the organization. In recent years, ethical organizational culture has in fact been the target of more scholarly interest. Lately, ethical organizational culture has been studied in relation to psychological outcomes such as well-being, but there are still many open questions related to the antecedents and consequences of (un)ethical cultures in organizations. The aim of this research was to produce more knowledge on the associations of sickness absence and turnover with ethical organizational culture. More specifically, this research began with an investigation of the factorial and construct validity of the CEV scale, and then moved on to study the associations between ethical organizational culture and two outcomes, sickness absence and turnover. The topic is essential since healthy and committed organizational members build up the organization's reputation and productivity, being the core of an organization's success.

### 4.1 The CEV scale as a measurement tool for ethical culture in Finnish organizations

This research started by studying the factorial validity of the CEV scale in multi-sample data gathered in Finnish public and private sector organizations. The research confirmed, first, the theoretical expectations (Kaptein, 1998, 2008) that the 58-item CEV scale consists of the eight strongly related dimensions of clarity, congruency of supervisors, congruency of senior management, feasibility, supportability, transparency, discussability, and sanctionability. The structural va-

lidity of the scale received strong support as it was found to be valid in all of the four, different, organizational samples. The findings suggested that there was reason to investigate these eight dimensions separately in order to gain more comprehensive information on ethical cultures in organizations. Moreover, the results supported the second-order factor structure, where high correlations between the first-order factors were explained by a general CEV factor. The factor structure in the organizational sample was found to be similar to the one found in a Dutch organization (Kaptein, 2008) and later in a sample of managers from different organizations in Finland (Huhtala et al., 2011). The correlated eight-factor solution also received support in a longitudinal setting (Huhtala, Kaptein, & Feldt, 2015), which further validates this factorial solution. Thus, it is justified to use this 58-item scale consisting of eight separate yet related dimensions that measure ethical culture from slightly different perspectives.

In addition to the testing of the factorial validity, this research studied for the first time whether the factor structure of the 58-item CEV scale remained the same across samples. The findings supported the assumption of factorial group invariance: the factor loadings of the constrained eight-factor and second-order factor structures did not vary significantly across samples. The results thus indicated that the participants interpreted the questions and their interrelationships the same way, regardless of the organization they were working in. This enables researchers to examine the differences between organizations in participants' evaluations of the ethical organizational culture. These results show promising avenues for future research.

The factor structure of the CEV scale has been also tested with CFA in the Chinese organizational context (Nie, 2016). There seem to be some cultural differences in the way the ethical culture in organizations is perceived, since in the Chinese sample the CFA results provided support for a 42-item 7-dimension CEV model rather than the eight-dimensional scale found in other samples. Nie (2016) reflected that in the Chinese context, one possible explanation for this differing result could be that since insufficient resources are taken for granted in many Chinese organizations, the dimension of feasibility is not recognized as part of the ethical organizational culture. She suggests that the fact that many employees have to work overtime in order to sustain their competitive advantage and performance in the labor market, as well as to ensure job security, "makes these issues a matter of life, or livelihood, rather than of ethics for Chinese employees" (Nie, 2016, p.122). These different findings indicate that some aspects of ethics in the organizational context are perceived in different ways in different countries and sociocultural contexts, and that some virtues are perceived as more crucial than others. However, since study of ethical culture measured by the CEV scale has started fairly recently, it is clear that further research is needed regarding both the construct validity of the scale and the perceptions of ethical culture in different vocational cultural groups.

#### 4.1.1 Descriptive research findings of ethical organizational culture as measured by CEV

The descriptive results of the public sector organization, engineering company and managerial sample (Studies I and III) indicated that in general, the respondents gave quite positive evaluations of the ethical culture of their organization. The only difference worth mentioning here was that the engineering company gave slightly lower overall evaluations than the managers and public sector organization. *Clarity* was perceived as the most positive virtue both among the managers and in the different units of the municipal organization ( $M = 4.7-4.9$ ), while in the engineering company it was perceived as mid-way among other virtues ( $M = 4.1$ ). Perhaps in the public sector there is a more hierarchical organizational structure and clearer role and task division. Managers, and especially those working at the most senior level, make a lot of strategic decisions and must have the company's objectives clearly in mind and present a vision for the future, which may be the reason for their positive evaluations. As far as the engineering company is concerned, it may be that in this organization the lack of clarity reflected the overall lower perceptions of CEV, which suggest that there may have been some uncertainty caused by the economic downturn that started in 2008.

The virtue of *congruency of supervisors* was evaluated positively in every one of these samples, the mean score varying from 4.4 (the engineering company) to 4.8 (social affairs and health), and it was perceived as the strongest virtue along with feasibility in the engineering company. However, the other virtue reflecting managerial work, *congruency of senior management*, was not perceived as positively in any of the samples: it scored mid-way among all the virtues ( $M = 4.0-4.3$ ). Although one might expect that managers would be more positive in their evaluations of these two virtues since they are sometimes evaluating themselves when working on high levels, this seems not to be the case. In the managerial samples these virtues were in fact perceived more negatively than in the other samples of employees, implying that managers (the majority of whom work in other positions than top management) are critical in evaluating their own supervisors. This may also reflect the problems of fit between the manager's values and intentions, and those of the organization, which can be traced back to top management decisions.

Similar findings regarding *clarity* and *congruency of supervisors* were found before in Finnish state organizations (Riivari et al., 2012) and in a Finnish public sector study (Riivari & Lämsä, 2014), where these virtues received the highest mean scores. The same tendency was found in medium-sized and large industrial services organizations where a majority of the respondents were experts, although in them the role of *congruency of supervisors* and *discussability* were perceived as the most present of the virtues (Riivari & Lämsä, 2014). In a study of Finnish school psychologists (Huhtala & Feldt, 2016), *congruency of supervisors* was perceived most positively, and *feasibility* was seen as slightly more embedded than *clarity* in their organizations. Overall, these findings from various Finnish samples suggest that in various professions, supervisors are seen as

important role models for good conduct. This result highlights the importance of the supervisor's ethical behavior. This has also been found in previous studies, which have emphasized supervisor role modeling as the most influential factor in employees' ethical conduct (Falkenberg & Herremans, 1995), and that managers have an important role in creating and implementing the organization's (ethical) culture (e.g., Schein, 1983; Treviño, 1990). It also seems that employees in the same work community largely share their perceptions of their supervisor's ethical conduct, which adds further force to the idea that the supervisor's example is important. In addition, there seem to be good, clear norms and high standards of ethicality in these Finnish organizations.

Another two virtues that were perceived fairly positively in all the samples in the present research were *feasibility* ( $M = 4.3\text{--}4.6$ ) and *discussability* ( $M = 4.0\text{--}4.5$ ). In addition, *congruency of senior management* was perceived as being as well embedded as *discussability* in the engineering company and in one administrative unit of the municipal organization. These findings suggest that in Finnish organizations there are opportunities to seriously discuss issues related to ethics. In addition, sufficient resources for ethical behavior (e.g., adequate time and equipment) seem to be quite adequately available in Finnish organizations. Although the ethical example of senior management was not seen as being as well embedded and as visible as the ethical example of supervisors, in some organizations it was perceived as good ( $M = 4.0\text{--}4.3$ ). Once again, similar results have been found in other Finnish organizations, showing that the "top four" embedded virtues in organizations were *clarity*, *congruency of supervisors*, *feasibility* and *discussability* (Huhtala et al., 2016; Riivari & Lämsä, 2014: two samples), and that in two samples *congruency of senior management* scored higher in the evaluations than *feasibility* or *discussability* (Riivari & Lämsä, 2014; Riivari et al., 2012).

Although the results of Study I indicated that in the social and health care unit the evaluations of *feasibility* (i.e., resources available for ethical behavior) differed significantly from the other units with more negative perceptions, on a broader scale it still reached the "top four" virtues in all the organizations studied in this research, along with *clarity*, *congruency of supervisors*, and *discussability*. When the mean scores are looked at more closely, one can see that the range between the scores of these most positively perceived virtues was wider in the unit of social affairs and health than in other samples, where there was less variation. The finding suggests that especially in this unit of social and health care, clarity and the supervisor's role are viewed as crucial and are strongly present, and the contrast to perceptions of feasibility seems rather large. Although feasibility was perceived as fairly good, perhaps the shortages in personnel and resources in social and health care explain the lower evaluations compared to the other samples. This finding is important also because in this field many employees, like nurses, for example, are under a lot of pressure to work ethically and humanely: if there are no resources for this or if the resources are inadequate, this can cause employees stress. In the end, lower levels of experienced feasibility may lead to higher levels of burnout and exhaustion (Huhtala et al.,

2011) and perhaps even more sickness absence, as well as create ethical strain (Pihlajasaari et al., 2013a), especially among those working in the health care sector (Pihlajasaari et al., 2013b).

If we look at studies conducted in different countries, some interesting results have been found on the relationship between the virtues. In two studies in U.S. organizations, Kaptein produced similar findings. The first study (Kaptein, 2010) found that clarity was most visibly embedded in the organizations in question, and after that came supportability and congruency of supervisors, and congruency of senior management and discussability. The second study (Kaptein, 2011a) showed again that clarity, congruency of supervisors and senior management, and supportability received higher mean scores than the other virtues. Unlike these findings in the two studies on U.S. working populations, in Finnish organizations supportability has not been one of the most embedded virtues, and in the Finnish managerial sample in this study supportability received the lowest mean scores of all the virtues. Feasibility, on the other hand, has been evaluated as more strongly embedded in Finland than in the U.S., as measured by Kaptein (2011), when it received the lowest evaluations of all the virtues, and in the Netherlands (2008). A study comparing Lithuanian and Finnish samples showed that with the exception of the virtue of feasibility, the Lithuanian respondents evaluated dimensions of CEV higher than did their Finnish participants (Pučėtaitė et al., 2016). In both samples, again, the virtues of clarity and congruency of supervisors scored the highest. The same tendency was found in Lithuanian private and public sector organizations (Pučėtaitė et al., 2015). In addition to these two virtues, feasibility and congruency of management were perceived as strong in both the Finnish and Lithuanian organizations.

Some socio-cultural elements may affect the evaluation of the virtues. In Finland there may in fact be more resources for performing one's job ethically than there are in the U.S., since in Finland there are fewer working hours per week and at least 5 weeks minimum mandated annual leave by law (Ministry of Employment and the Economy, 2010), when in the U.S. there is no mandated leave at all. The social security system is also highly valued in Finland, giving individuals security. What is notable is that although supporting the creation of mutual trust and respect in an organization is important for managers' better work engagement and lower risk of burnout (Huhtala et al., 2011; Kangas et al., 2010), it was the least embedded virtue in the Finnish organizations in which the managers in this study worked. In addition, as found in Study II, and in a study by Huhtala, Tolvanen et al. (2015), supportability had the highest amount of shared variance of all the virtues, indicating that perceptions of supportability are based on mutual understanding. This suggests that an organization's attempts to support commitment to the organization among its employees and mutual trust in the teams they work in are not sufficient. Perhaps the low evaluations given to supportability reflect Finnish national culture, where carrying out what one has to do independently and conscientiously, and personal space, are both appreciated. The flip of the coin may then be the reduced opportunities

to experience trust and commitment in the organizations and within teams, although it should be noted that supportability too was perceived as fairly good level in the end. It may also be that the lack of supportability especially in the managerial sample reflects the characteristics of managers' jobs, which often include supervisory responsibilities but not a horizontal support network.

At the mean score level, *sanctionability*, *supportability* and *transparency* were perceived as lowest in every sample in this research. Although the mean scores were not always particularly low, they were consistently perceived as lower than the virtues of *clarity*, *congruency of supervisors*, *feasibility*, *discussability* and, in two samples, *congruency of senior management*. At the mean score level, all of the studies made in the Finnish context have suggested similar results (Riivari & Lämsä, 2014; Riivari et al., 2012), except that in the study of school psychologists, the ethical example of senior management was perceived as joint lowest with *sanctionability*. Similar results regarding low levels of *sanctionability*, *supportability* and *transparency* were found in Lithuanian private and public sector organizations (Pučėtaitė et al., 2015). The low ratings of *sanctionability* imply that rewarding for ethical conduct and punishing for unethical behavior is not strongly embedded in Finnish organizations. In addition, the low ratings of *transparency* suggest that the conduct of employees and managers and the consequences of unethical conduct are not perceptible to those who would be able to do something about it (e.g., colleagues, supervisors, subordinates). Nevertheless, looked at globally, public sector transparency (in terms of corruption) seems to be good in Finland: according to the annual survey carried out by the Berlin-based organization Transparency International, in 2012 Finland was perceived to be one of the world's least corrupt countries, along with Denmark and New Zealand (Transparency International, 2012).

Taken together, the findings of this research support previous study findings made in various Finnish organizations, showing, first of all, that supervisors and managers are seen as important role models for ethical conduct. This result emphasizes the importance of the supervisor's ethical behavior and actions as an example to employees. Second, employees in the present research and in Finnish organizations in general perceive that the norms and standards regarding ethicality in their organizations are clear and understandable. Finally, it seems that people in Finnish organizations have the possibility of discussing and seriously debating issues related to ethics, and that there are sufficient resources for ethical behavior (e.g., adequate time and equipment) and for performing one's job ethically.

## **4.2 Lack of ethical virtues in organizations associates with higher rate of sickness absence**

One significant contribution of the present research is that it examined whether ethical organizational culture, assessed according to the eight corporate virtues,



was associated with sickness absence. Ethical culture has previously been studied in relation to occupational well-being, while sickness absence has been viewed and studied from various perspectives. This research took a new approach to studying the relationship between ethical culture and sickness absence. Another aim was to explore whether and how far people's perceptions and experiences of ethical culture and sickness absence were shared at both the individual (within-level) and work unit (between-level) levels. The theoretical expectations were based on the JD-R theory (Bakker & Demerouti, 2014; Demerouti et al., 2001), which suggests that a virtuous organizational culture would not only provide the individual resources, but also help them to cope with the various demands they must face in their work.

The main findings of this research indicated, first, that *individual perceptions* of a strong ethical organizational culture were associated with less sickness absence, after the background factors were controlled for. In more detail, the more positively the virtues of congruency of supervisors, congruency of senior management, feasibility, supportability, transparency, discussability and sanctionability were perceived, the less sickness absence was reported. However, the findings also revealed that *shared perceptions* of corporate ethical virtues (17–23% shared within work units) did not associate with between-level, *shared perceptions* of sickness absence, of which only 4% was explained by the work unit. Thus, the results imply that sickness absence is more of an individual than a shared phenomenon, and that it does not emerge as a culture of absenteeism as a result of social construction (cf., Davey et al., 2009; Rentsch & Steel, 2003).

This finding is in line with Elovainio, Kivimäki, Steen and Vahtera (2004), who showed that organizational justice was associated with sickness absence at the individual level, but not at the work unit level. To understand and explain this result, they turned to psychological stress theories, which emphasize the importance of individual perceptions as an intervening process between the environment and individual reactions (Lazarus & Folkman, 1984). As the JD-R theory (Bakker & Demerouti, 2014) suggests, individuals evaluate their job demands and resources differently and also react to them according to their own characteristics as well as to situational factors. These situational factors can include both factors that are related to work, and those that are related to personal life (e.g., family situation, physiological illness). It may also be that in order for sickness absence cultures to emerge in work units, there would need to be a serious and prolonged lack of ethicality in the organization. By posing demands and providing individuals with only scarce resources, this could in the long run lead to withdrawal behavior and sickness absence within groups of individuals. In the end, although sickness absence was not shared at the work unit level, it is important not to ignore individual well-being: individuals together form working teams and, in the long run, formulate subcultures in the workplace by sharing their values and beliefs.

Seven of the eight virtues representing ethical organizational culture explained sickness absence at the individual level. The virtue of *congruency of supervisors*, which emphasizes the supervisor's ethical role modeling, had the

strongest association with sickness absence. This finding is supported by previous studies that have shown that the supervisor's role is crucial for employees' well-being and absence (e.g., Higgins, O'Halloran, & Porter, 2012; Nielsen et al., 2006), and that the leader's support (Väänänen et al., 2003) and organizational justice with regard to the supervisor's role (Elovainio et al., 2002, 2005; Kivimäki et al., 2003) are associated with sickness absence. According to the results and in line with the JD-R theory (Bakker & Demerouti, 2014), a supervisor who behaves ethically can set employees an ethical example and create feelings of fairness, and these can appear as resources to the employee. The other virtue of *congruency*, the one referring to the role of senior management and the board in behaving ethically, was associated with sickness absence, although less strongly than congruency of supervisors. Previous studies have yielded similar results, implying that congruency of supervisors and congruency of senior management are strongly associated with employee well-being. In addition, studies have shown that in relation to managing long-term sickness absences, the support of top management for interventions as well as for financial and organizational investment is crucial (Higgins et al., 2012).

These results, then, underline the role of top management as the source of good practices that support well-being. Although top management formulates the guidelines for moral actions and conduct in the organization, they can seem more distant than the immediate supervisors from the employee's perspective, and because of that are not perceived as equal in importance in terms of well-being to leaders closer to the employee. This may be true, especially in larger organizations, such as this public sector organization, where there are a large number of employees and a clear hierarchy in both structure and culture. This can explain why a supervisor's ethical role modeling is more important for sickness absence than the ethical role modeling of management.

Other important virtues in regard to employees' sickness absence were *discussability*, which refers to the possibilities employees have of raising ethical issues for discussion; *supportability*, which can function as a resource creating trust and commitment to the organization, and enhancing motivation, satisfaction with and affection for the organization (Kaptein 2008, 2011b); and *sanctionability*, referring to the sanctions and rewards for (un)ethical conduct (Kaptein 1998, 2008). It is understandable that in a public sector organization that includes for instance health care and education, ethical issues are present every day and can be difficult to resolve since they often concern human beings. If ethical issues are not openly discussed (a situation referred to as "moral muteness"; Bird & Waters, 1989) and there is no support and mutual trust within the work unit, employees will in the long run be exposed to mental or even physical illness, which in turn will lead to sickness absence.

Lack of supportability can also worsen the atmosphere in the team in general and this can increase the probability of more absences. This can be true especially in nursing or educational work, for example, where there is a lot of pressure and a lot of interaction, and employees encounter and must solve many ethical dilemmas on a daily basis. Social support has in fact been shown

to predict sickness absence in public sector organizations in a Finnish study (Vahtera et al., 1996, 2000), in a Swedish study (Unden, 1996), and in the Whitehall II Study (North et al., 1993, 1996). In addition, previous studies have demonstrated the importance for sickness absence of co-workers' support (Väänänen et al., 2003) and a supportive and fair culture in general (Eriksen et al., 2003; Väänänen et al., 2004). Moreover, an organization lacking rewards or sanctions for (un)ethical behavior sends the message to employees that it is not important to think about ethical conduct and that in this sense their work is not appreciated. Lack of sanctionability thus increases unethical behavior (Kaptein, 1998) and can worsen the atmosphere in the team. Perceptions of fairness, too, have been shown to relate to sickness absence (Väänänen et al., 2004). If there are no sanctions for unethical conduct and ethical actions are not rewarded, employees may perceive it as unfair if they themselves strive to act decently and well, and this can lead to withdrawal from work.

Finally, the virtues that had weaker association with sickness absence were *transparency*, which refers to the visibility of (un)ethical behavior both top-down and bottom-up, and *feasibility*, which refers to the resources available for ethical actions. The virtue of *clarity*, referring to, for example, concrete and understandable ethical standards, was the only virtue that was not associated with sickness absence, although some studies have shown that interventions aiming at clarifying expectations and goals in organizations may decrease unnecessary stress as well as improve health (Semmer, 2003). One reason for not finding associations between them may be that clarity of ethical values, norms and rules received the highest mean scores of all the virtues: its strong presence in the organization may not reduce sickness absence, but perhaps if clarity were low, it would have an impact on employees' well-being. *Transparency* received the lowest mean scores of all the virtues, but was also most weakly associated with sickness absence. Perhaps in this public sector organization the visibility of ethical or unethical actions was not perceived as crucial in terms of well-being. In line with the finding regarding *feasibility*, previous studies have shown that time pressure and insufficient resources increase the risk of sickness absence (e.g., Aronsson & Gustafsson, 2005; Kivimäki et al., 1997). Studies have also shown that of the eight virtues, feasibility has a specific significant relation to employee well-being (Huhtala et al., 2011, 2014). Nevertheless, from the findings of Study II it seems that although *feasibility*, referring to sufficient time, equipment, financial resources and information (Kaptein, 2008, 2011b), was associated with sickness absence, other virtues, such as *congruency*, remain the most crucial ones in preventing absences in organizations.

Taken together, a strong ethical culture can prevent sickness absence. Nurturing good organizational practices can give guidance to employees in morally controversial decision-making situations. Especially leaders and managers who show an ethical example can create a good working environment where employees thrive and do not show withdrawal behavior or take sick leave without good reason. Supportability in the work community creates and builds commitment to the organization and the work team, openness in discussing ethical

issues can create a deeper meaning and understanding of the organizational virtues, as well as provide space for good dialogue and the chance to express one's views. In addition, receiving thanks and rewards for ethical behavior will lead to repetition of the good practices and create a better work place for its members, while failure to impose sanctions for unethical behavior may send employees the message that ethical behavior is not worth pursuing. Thus, an ethical organizational culture can function as a resource in itself by supporting individuals when they face difficulties at work, and perhaps in other areas of life, too. An organization that nurtures virtuous practices will most likely have less sickness absence, and possibly absenteeism in general, which will mean favorable outcomes for both the organization and the individual.

### **4.3 Ethical organizational culture keeps managers in their organizations**

#### **4.3.1 The role of leaders is important in preventing managers' turnover**

The present research is among the first to establish the link between an ethical organizational culture and less managerial turnover. Few studies have measured the antecedents of turnover repeatedly (Semmer, 2014). In the present research, ethical culture and managerial turnover were both investigated in a four-year two-wave longitudinal setting (Study III). The advantage of longitudinal studies is that changes in the phenomena can be inspected and possible causal relationships more thoroughly explored. This research therefore makes a comparatively strong case for the influence of ethical culture on the turnover of managers. A closer look at the results shows that four out of the eight virtues of an ethical culture were related to managers' job change: poor *congruency of supervisors* and *congruency of senior management* predicted turnover among managers over a two-year and four-year period, and poor *discussability* and *sanctionability* predicted manager turnover over a two-year period, after controlling for the background variables.

These findings are important for the following reasons. First, they contribute to the literature on both ethical organizational culture and managerial turnover. Before now, ethical aspects of work have been less studied in relation to turnover in general, although some research has been done (see e.g., Cheng, Yang, Wan, & Chu, 2013; Elci et al., 2007; Schwepker, 2001; Valentine et al., 2011). The present research utilized a four-year three-wave setting, which made it possible to study the phenomena in a wider time frame and yielded somewhat different results. Another shortcoming of turnover research is that it has mainly concentrated on employee turnover, despite the fact that managers represent an important asset in terms of knowledge to the organization and may have an effect on the company's performance that would be difficult to replicate

if they left. For a company's competency it is crucial, but also difficult and time-consuming, to find a new manager quickly.

It seems that the findings regarding the link between turnover and the ethical example set by supervisors and managers are in line with previous, though sparse, research on the subject. For instance, studies have shown that the ethical example set by top managers can influence job satisfaction, commitment, and lowered absenteeism among employees (Viswesvaran, Deshpande, & Joseph, 1998) and lowered turnover intentions among managers (Kim & Brymer, 2011), and that managers' and supervisors' ethics-related actions, such as discussing ethical issues, keeping commitments and promises, as well as informing employees and modeling ethical behavior, produce organizational satisfaction (Ethics Resource Center, 2003). Moreover, congruency of both supervisors and senior management have been found to predict career goals related to job change among managers (Huhtala, Feldt et al., 2013). Our findings seem congruent also with the findings in other studies that have used the CEV model. Many of them have also consistently shown the importance of the virtue of congruency of supervisors and senior management for different outcomes, such as increased well-being (see e.g., Huhtala et al., 2011, 2014; Kangas et al., 2010), better organizational innovativeness (Riivari & Lämsä, 2014; Riivari et al., 2012) and commitment (Huhtala & Feldt, 2016), as well as less unethical behavior (Kaptein, 2011), and now also less sickness absence (Kangas et al., 2015). These aforementioned findings do underline especially the importance of supervisory and managerial ethics in organizations, even more than all the other dimensions of the virtues of ethical culture.

In addition to the importance of supervisors' and managers' ethical example, this research has shown the relevance of the virtues of *discussability* and *sanctionability* in accounting for managers' job changes. *Discussability* refers to the possibility of discussing, criticizing or even arguing about ethical issues in the workplace. If this is not possible, an organization can lose the opportunity to share what is known about mistakes that have been made, and also learn from them (Kaptein, 2008). If the virtue of discussability is low in the organization, ethical topics are not addressed and moral discussions are avoided, which supports the creation of an unethical culture and leads to ethical stress (Bird & Waters, 1989). This, as the results of this research have shown, can lead to withdrawal from the organization. Perhaps the managers who did not find a space in which they could express different views saw no other option than to change organizations. In an earlier focus group interview survey of Finnish managers' ethical strain (n = 16), some managers indeed described how difficult it was to speak out against the guidelines, many times also implicit, given by the Board or upper level managers, which led them to consider whether to stay or leave the organization (Huhtala et al., 2010). One manager even declared that she would "die with her boots on or leave" because she could not give up the values and principles she had (Huhtala et al., 2010, p. 22).

Finally, the results showed that the virtue of *sanctionability*, which reflects the enforcement of ethical behavior (Kaptein, 2008, 2015), was related to turno-

ver among managers. In an organization where this virtue is present, punishment is meted out for unethical behavior and rewards given for ethical behavior. If the virtue of sanctionability is low, managers may question the course of action in the organization and even face pressure to behave unethically, because unethical behavior is tolerated and the effectiveness of norms is undermined, and because ethical conduct is not recognized.

There may be various reasons for the finding that discussability and sanctionability predicted managerial job change only in the later 2-year study period, between 2011 and 2013. First, it is possible that congruency is a steady predictor of job change. Discussability and sanctionability may be more situated, reflecting the economic situation in general. The effects of the economic downturn that started in 2008 may have affected the managers' perceptions of ethical culture and the general atmosphere in 2011, since the economic crisis started a series of lay-offs in companies and created insecurity for many of those working in organizations. Second, it is possible that the ethical organizational culture had actually weakened during that time because, for example, of this uncertainty about the labor market and job security, or the need to cut resources and fire people from teams. In addition, it may be that the smaller sample size in 2011 compared to 2009 had a slight effect on the selectivity of the respondents and consequently the results: it may be that the respondents who continued to participate in the research after the baseline study were more interested in ethical questions.

According to P-O fit theory (Chatman, 1989), it can be assumed that when the organizational culture is less ethical, especially ethically oriented managers experience value incongruence and difficulty acting in line with their own values. In fact, studies have shown that managers valuing ethical principles strive to work in matching organizations (Brown & Treviño, 2006) and that ethical organizations attract and can retain individuals (Andrews et al., 2011; Coldwell et al., 2008; Valentine et al., 2002). In addition, a value misfit between the manager and the organization may lead to turnover or resignation, for instance as a result of an ethical conflict (Thorne, 2010). The fit between the values of the manager and the organization may be especially important because managers make many decisions that may have a wide effect not only on employees and the organization internally, but also on shareholders and the surrounding society. The fact that it may be more difficult to act according to the organization's values if procedures are not ethical and are in conflict with the manager's values may explain the result of the present study, that lower standards of organizational ethics were related to actual turnover among managers.

Another framework for interpreting managers' decisions to change jobs is the psychological contract theory (Rousseau, 1989, 1995), which is concerned with the role of social exchanges in establishing and maintaining the relationship between employee and employer. In other words, it reflects the promises employees perceive were made at the beginning of the employment relationship, in exchange for which they make their contribution at work. A breach in the psychological contract occurs when an employee believes that the organiza-

tion has failed to fulfill its obligations to her/him (Morrison & Robinson, 1997). An organization that has a culture that is not virtuous may risk breaching the psychological contracts made with employees because of mismatching demands. In such situations, employees, and in the present case, managers, must choose between the requirements of the organization and their profession as a manager, which in turn can lead to several outcomes (O'Donohue & Nelson, 2009). When a manager enters an organization, its ethical culture and values are not immediately perceivable; if the manager later perceives them to be unethical, she/he may experience it as a breach in the psychological contract in itself, which can lead to resignation. On the other hand, unfulfilled commitments promised in the recruiting phase may be perceived as violating the psychological contract, which in turn increases turnover intentions (Collins, 2010). In line with the findings of this research, in order to create a good and ethical working environment to operate in, and to keep the valuable firm-specific human capital in the organization, emphasis should be placed on higher managers setting an ethical example, there should be discussion of ethical issues, and rewards and sanctions should be in place for (un)ethical actions.

Another interesting question is why the other four of the virtues of ethical culture did not associate with managerial turnover. More specifically, the virtues of clarity, feasibility, supportability and transparency did not associate with managers' job change. Let us look at each of these in turn. One reason in the case of clarity may be that since managers had, of all the virtues, the most positive perceptions of the clarity of ethical values, norms and rules in all the subsamples, it did not have an impact on actual turnover decisions. Feasibility, on the other hand, seems to be perceived differently in managerial positions from employee positions. One would expect that resources for and investment in ways of making it possible to perform one's job well and ethically, for instance having enough time, would have an effect on turnover decisions. Finnish managers generally perceive feasibility positively (Huhtala et al., 2013; Kangas et al., 2010), whereas in a study of the healthcare sector employees feasibility received the lowest scores of all the virtues (Pihlajasaari, Feldt, Mauno et al., 2013). As managers' work involves a lot of pressure and hurry, they may be people who have more personal resources to cope with the demands of the job. In fact, managers have more chance of regulating their own work even if they do work long hours, and it is possible that their work includes more of the necessary resources and opportunities to influence and plan their working days than is the case in lower-level positions. As for supportability, interestingly, although this virtue received lower mean scores than all of the other virtues, it did not have a significant association with managers' job changes. However, the association was near significant, which is why strong conclusions cannot be reached. With regard to transparency, on the other hand, which refers to the visibility of (un)ethical behavior both top-down and bottom-up, the variance in managers' answers was widest here, although the mean scores for transparency were fairly low, which may have had an effect on the results. Perhaps especially in larger organizations the visibility of ethical or unethical actions is not seen as

being as important for managers as the other virtues are. However, more research is needed to examine the virtues separately in different organizations before we can come to any further conclusions.

#### 4.3.2 Reasons for turnover

To find out what reasons managers gave for their job change, a qualitative approach was used. Their reasons were then examined in relation to the virtues of ethical organizational culture. This method made it possible to get information on manager turnover that complements the quantitative results. Five turnover groups were found from the managers' answers, and then compared to the group of stayers: 1) Lay-off, 2) Career challenger, 3) Dissatisfaction with the job/organization, 4) Organizational change, and 5) Decreased well-being/motivation. The results showed that managers in the group of stayers perceived the virtues of their organization's ethical culture more positively than did the turnover groups. This supports the quantitative findings, which indicate that managers who work in organizations with an ethical culture want to stay there. In addition, there were differences in the perceptions of ethical culture between the turnover groups.

In understanding managers' reasons for withdrawal from the organization, "push" and "pull" motivators for quitting were mentioned. Push-motivated quitting is a movement away from one's job as a consequence of an imbalance between the perceived costs and benefits of staying (March & Simon, 1958), while pull-motivated quitting refers to leaving the previous organization not because one has not been content there, but because attractive professional, financial, or personal career advancement possibilities have opened up (DeHoog & Whitaker, 1990; Mowday et al., 1982). Pull factors are usually perceived as alternative jobs, which tend to be only weak predictors of turnover (see meta-analysis by Griffeth et al., 2000), and thus turnover research has concentrated on push motivators. Our findings support the argument that a weaker ethical organizational culture will lead to manager's job changes based on push motivation. In this research, push-motivated turnover categories were considered to include the groups of *dissatisfaction with the job/organization*, and *decreased well-being*, as well as partly the *lay-off* group. Regarding this last-mentioned group, it is better to talk about push factors than push motivators, since in this case the pushing has come from the company. In Finland, upper level managers often fall outside of the law on employment contracts, which means that they do not have the protection of the labor law and as a consequence may be laid off quickly. A managers' job always involves the risk of being laid off, i.e. of being pushed away from her/his job on the organization's initiative. The lay-off group included managers who were either forced to change their jobs or who had left their previous organization after negotiations and severance pay packages. In some cases they had come under a lot of pressure to resign and had had little alternative but to do so. In this research, the low perceptions of ethical culture in this lay-off group may have reflected the atmosphere in the organization, especially if there had been lay-offs, or the threat of them, around the time they



responded to the questionnaire. More detailed analysis of this matter is presented in the original article (Study III).

Those managers who were most critical in their evaluations of ethical culture gave reasons for job changes that were related to dissatisfaction with the current job or organization, as well as reasons reflecting motivational issues or even exhaustion. These managers were seen as changing jobs because of push motivation. In the first one of these groups, named as *dissatisfaction with the job/organization*, managers perceived all the virtues except for transparency more negatively than those in the group of stayers. The managers in this group indicated that a job change was often preceded by a sense of incongruence between the manager's values and those of the organization (e.g., there was a "misfit between own approach and the senior management's values"). Another group of managers with fairly negative perceptions of almost all the virtues was the group of *decreased well-being/ motivation*. The managers in these two groups gave the lowest mean scores of all the groups to the virtues of feasibility, supportability, transparency, discussability and sanctionability. One notable difference was that although the mean scores were even slightly lower in the group of *decreased well-being/ motivation* than in the group of *dissatisfaction with the job/organization*, this did not apply to the virtues of congruency of senior management and congruency of supervisors, which were perceived more positively (although still fairly low) in the group of *decreased well-being/ motivation*. Perhaps the managers in this small group did not experience a lack of ethical example from their superiors, but would have liked more resources for ethical behavior, such as adequate time, tools, and information, support from the organization, and attention paid to rewards and punishments for (un)ethical behavior. In both of these turnover groups, perceptions of discussability were particularly low, also compared to the other turnover groups, indicating that the limited opportunities available to them to discuss, debate and question ethical issues was a major factor in the turnover decisions of the dissatisfied and unmotivated or exhausted managers.

The other side of the coin, the pull motivation for job change, was also recognizable from the managers' answers. This finding was expected, since managers are likely to change jobs more often in order to advance in their career, and the proliferation of social medias for networking have made searching for jobs easier. Many fascinating offers may be available, and especially those managers who have some special knowledge and skills may be headhunted by other companies. In addition, turnover may also have a stable, although rather weak, component (Semmer et al., 1996, 2014), meaning that some individuals have a tendency to stay or leave throughout their career. As the pull motivation to change is not necessarily related to organizational factors, it was not expected to be linked with previous perceptions of the organization's ethical culture. The results found in Study III were in line with this expectation, and will now be explained in more detail.

The groups of *career challenges* and *organizational change* included those managers who were "pulled" or attracted from their current positions for pro-

fessional, financial, or personal advancement. Although they were somewhat more critical in their evaluations than those who stayed in their organizations, overall the managers in these two turnover groups perceived their organization's ethical culture as fairly good. Some managers in the group *career challenges* implied that they had already worked for a long time in one organization and felt that it no longer provided them opportunities to develop. Other managers were also dissatisfied with some aspects of the organizational culture, and career development was not the only reason for changing their job, as the comments demonstrate: "I wanted a change, to learn new, there was a good opportunity. I was also not satisfied with certain things in the previous work community", "Career development was stuck, I got a better salary, supervisor was not good". Although pull factors are usually perceived job alternatives or offers, they do not need to be conceptualized exclusively in terms of job offers. As Semmer et al. (2014, p. 75) put it, the pull motivation may represent "the desire to try out something new; to expand one's skills, knowledge, and abilities; to seek a new challenge or the like are further possibilities. These do not require dissatisfaction with one's current job or organization".

The managers in the *organizational change* group perceived their organization's ethical culture as fairly strong. In this group, the change of position was usually related to company mergers and acquisitions, and the mean scores for ethical organizational culture varied little from the average for other job change groups. In addition, the group of organizational change differed from the other two groups, with more positive evaluations. To be more precise, they perceived clarity as stronger than did the group of dissatisfaction with the job/organization, and evaluated discussability more positively than the groups of dissatisfaction with the job/organization and decreased well-being/motivation. It may be that they did not yet know of the acquisitions and mergers to come, or that they had the opportunity to negotiate their role in the future organization. Perhaps some managers could even participate in or plan the process of change. For executive-level managers, these mergers and fusions may even have appeared as pull motivators, such as the possibility for career advancement along with the changes. Moreover, compared to organizational changes, which are usually implemented in as controlled a way as possible, layoffs, exhaustion or motivational issues as well as general dissatisfaction may cause more uncertainty among managers, which may explain why the ethical organizational culture was perceived as lower among these groups.

The quantitative results and the open-ended answers on reasons for job change differed somewhat from each other, as four out of the eight virtues predicted turnover in the (quantitative) longitudinal setting while all the eight virtues were associated with the reasons given for turnover in the managers' open-ended answers. One explanation may lie in the different ways of analyzing the data: in the latter sample, job changers were divided into smaller subgroups based on the reasons they gave for turnover, which made it possible to get more detailed information on the participants who left their organization. This categorization of the respondents into different turnover groups produced more

explicit differences in the perceptions of ethical culture, since not all job changers leave for the same reasons. Moreover, the sample size was larger in the first three subsamples, while the fourth subsample included those managers who either did not leave their organization or who at the final measurement point in 2013 answered the question about their reasons for previous job changes. In addition, the results may have been impacted by the retrospective approach at the last measurement point, since recalling events that have taken place in the past may not be the same as actual past occurrences. Nevertheless, it is still worth noting that managers described the experiences they had had in their previous organizations as dissatisfying or un motivating. In sum, this research provided valuable information on managers' job changes that was acquired through different methods that complemented and confirmed each other, and gave a range of different viewpoints.

#### **4.4 Sickness absence and turnover as a response to the lack of ethicality in organizations: drawing the findings together**

Absenteeism and turnover have been said to be the two most popular outcomes investigated in organizational research (Mitra, Jenkins, & Gupta, 1992). Together with voluntary employee lateness, they are often referred to as withdrawal behaviors (see the meta-analysis of Berry, Lelchook, & Clark, 2012). The present research concentrated on the first two, absenteeism and turnover. One intriguing and debated question is, whether they reflect different manifestations of the same underlying construct, withdrawal behavior, as the first school of thought suggests. This means that the organization's members withdraw from work as a result of attitudes to work, such as the widely studied organizational commitment and job satisfaction, or as a result of weaker ethical organizational culture, as proposed in the present research. If this is the case, then one would assume that ethical culture of an organization has a strong influence on both of these outcomes. The second school of thought sees absenteeism and turnover as discrete withdrawal behaviors that do not reflect an overall withdrawal construct, and thus should be investigated separately (Berry et al., 2012; Mitra et al., 1992). From this viewpoint it could be drawn that the core explanations for sickness absence and turnover in organizations are different, and that for example one is more related to individual factors and the other to organizational factors. In the following sections, I will reflect on these two viewpoints and draw together the findings on the associations between sickness absence and turnover in relation to organization's ethical culture.

The first important clarification that should be made before starting any discussion of sickness absence and turnover relates to the different definitions of sickness absence and absenteeism. In this research, sickness absence was examined with an open-ended question about the number of days participants had been absent due to sickness in the past one-year period of time. This type of

question leaves room for interpretation of the reasons for taking sick leave. In addition, information about the frequency of sickness absence spells was not sought, although some studies have suggested that absence frequency could be linked with voluntary absence (attitudinal reasons), whereas the duration of sickness absence would be associated with involuntary absence, i.e. sickness absence (Berry et al., 2012; Mitra et al., 1992). However, it is possible that since long-term sickness was controlled for in the study, those respondents who had the highest yearly absence rates may have been both those who had longer sickness absence spells (but not long-term illness), and those who frequently withdrew from work for a few days. Studies have shown that employees with low organizational commitment and job satisfaction are more frequently absent than employees who are more committed and satisfied (e.g., Farrell & Stam, 1998; Mathieu & Kohler, 1990; Sagie, 1998; Stansfeld, Head, & Ferrie, 1999). In addition, in line with the JD-R theory, job demands that cause distress can lead to absence from work, as absence behavior can be perceived as a coping mechanism in response to stressful job demands (Schaufeli et al., 2009), such as a weak ethical organizational culture. Alexandersson (1998) states that although many studies that have investigated the two types of absenteeism (voluntary/involuntary) have concentrated on the involuntary reasons, that is, sickness absence, they are actually concerned with voluntary absenteeism. For this reason, it is important to consider the possibility that the results of Study II partly represent withdrawal behavior, in addition to reflecting the actual occurrence of sickness absence in the organization.

From this it can be argued that both of these types of absenteeism may be responses to the organization's (un)ethical culture. An ethical culture has in fact been found to positively associate with organizational commitment (e.g., Hunt et al., 1989; Sharma et al., 2009; Valentine et al., 2002) and satisfaction (e.g., Andrews et al., 2011), which in turn are related to absence frequency. Moreover, an organization that does not nurture ethical values will raise the levels of sickness absence by placing psychological job demands on the individual and providing insufficient resources for performing one's tasks in an ethical way. Schaufeli et al. (2009) have stated that voluntary and involuntary absenteeism both embody the motivational process and the strain process of the JD-R. They found in their study that high job demands (but not low job resources) were associated with absence duration, and that a shortage of job resources (but not high job demands) was associated with absence frequency. In the present research, an ethical culture was perceived as a job resource and a less ethical culture as a factor exposing employees to pressure from the demands of their job. Some studies have suggested that motivational variables, such as job satisfaction and fairness, are more strongly associated with voluntary absenteeism (absence frequency) than with involuntary absenteeism (time lost). These results would then suggest that an ethical culture and ethical procedures in organizations would be more strongly related to absence frequency. However, the findings are not entirely unequivocal (Steel, 2003), and thus no firm conclusions can yet be drawn.

In contrast to the findings of two earlier studies (Koslowsky, Sagie, Krausz, & Singer, 1997; Mitra et al., 1992), the latest meta-analysis of the literature (Berry et al., 2012) shows that there is a lack of support for the withdrawal context. In the two earlier meta-analyses, the correlations between these constructs were stronger than in the most recent one, perhaps because of the change in the employee-employer relationship in recent years, as Berry et al. (2012) suggested. In the present research the different nature of the samples makes it difficult to interpret whether sickness absence and turnover both represent withdrawal behavior. Study III, which examined turnover, included managers from different organizations all over Finland, the majority of whom worked in the private sector. Study II, on the other hand, investigated sickness absence among employees in a large municipal, public sector organization, where the nature of the jobs is different from managerial jobs. There may be more hierarchy in the organization and some of the jobs are physically more demanding, which in the long run can expose employees to long-term illnesses. In addition, Finnish municipal employees need to obtain a medical certificate if they are absent because of sickness for more than three days; absence spells shorter than that are self-certified. This gives employees the opportunity to stay home if they do not feel well, but can also mean that they stay home for reasons not related to work or illness. Managers in large organizations, however, who are known to work long hours and whose work contribution cannot be easily replaced, may not take sick leave as easily as employees, whose work tasks may be fairly similar to each other and who are therefore to a greater extent replaceable. On the other hand, jobs in a nursery, for example, are more physically demanding than managerial work and, given the way infections can spread in a hospital setting, employees there may be more exposed to illness.

Some researchers have suggested that the constructs that define withdrawal behavior should be studied separately in order to understand each withdrawal behavior better (Berry et al., 2012). For instance, Mobley (1982) has stated that withdrawal behaviors may actually result from alternative attractions that compete with going to work, such as taking a day off work for to pursue one's hobbies, or changing jobs because of alternative job offers, and may not be related to avoiding work or the workplace. With regard to managerial turnover, investigated in Study III, it seems that some of the job changes were partly affected by the organization's ethical culture, and thus could be interpreted as withdrawal behavior. Especially the lack of an ethical example from supervisors and senior management, too few possibilities of discussing ethical issues, and the organization's practices with regard to punishments and rewards increased the likelihood of managers leaving the organization. However, when the reasons managers gave for their turnover were more closely examined, one could see that usually there were a whole range of different reasons that altogether led to the decision to change job or organization. Moreover, it may generally be desirable for a manager's career advancement that they should change organizations from time to time in order to enhance their competence and skills. From this it follows that turnover among managers is possibly

based on different reasons for leaving than turnover among employees, which was not examined in this research. In addition, sickness absences among managers have not been studied much, and as managers work long hours it may be that they do not take sick leave easily, even when they need to do so. The results of previous studies also suggest that there is remaining unexplained variance in turnover and absenteeism (Gupta & Jenkins, 1991). Although both of these behaviors may share some common psychological dynamics, they are likely to be subjected to distinct situational constraints. For example, family illness will more likely have an impact on absenteeism than on turnover, and alternative job opportunities will more likely associate with turnover than absenteeism (Gupta & Jenkins, 1991; Mitra et al., 1992). Taking this into account, research on both turnover and absenteeism should be supplemented with studies examining different withdrawal behaviors and their underlying dynamics.

With regard to sickness absence, examined in Study II, it is true that the present research, in line with the study of Elovainio et al. (2004), did not indicate that sickness absence cultures emerge within work units (i.e., the between-level shared absences). Only 4% of the sickness absence variance was explained by the work unit, indicating that sickness absence is more of an individual phenomenon, and that individuals' perceptions are important as an intervening process between the environment and individual reactions, that is, sickness absence. It may be that individuals working in the same team experience and interpret their work environment somewhat differently: for some, the lack of ethicality in an organization may cause withdrawal behavior and even lead to sickness absence, while others will not react so strongly to this. According to Steel (2003), individual employees do have substantial definitional differences with respect to illness severity, as "some employees will call in sick for the mildest cold while for others, nothing short of the grave will stop them from reporting for work" (Steel, 2003, p. 246). At the same time, it is possible that if there is more withdrawal behavior in some work units than in others, these behaviors will emerge in situations where there are severe deficiencies in some of the virtues of ethical culture, such as congruency of supervisors and senior managers. If ethical values are present in the organization at a fairly good level, factors outside of work may have a greater effect on the decision whether or not to take a few days off from work.

The trends followed by both turnover and sickness absence suggest that there are some common predictors related to these two outcomes. For instance, they both increase in times of economic growth and lower unemployment. The fact that there are fewer job changes and sickness absences during economic decline has been explained by uncertainty factors, among others. The labor market favors healthy workers, the risk of lay-offs makes employees minimize their absence days, and since there are not so many jobs available when the economy is in decline, employees prefer security and want to strengthen their position in their current organization. On the other hand, it may be that in times of economic decline people also work more while they are ill in order to keep their jobs; keeping one's job is the most important factor for employees in tough

times. However, unethical organizational practices can still affect employees' well-being, even if they do not have the opportunity to react. In times of economic growth, when there are more jobs available, reactions may vary, from changing jobs to taking more sick leave, for example. The data for Study II was collected in 2011, two to three years after the economy had begun to decline. Thus, it is possible that less sickness absence was reported in comparison to what would have been reported before the financial crisis that started in 2008. Managers' turnover behavior was followed from 2009 through 2013, but almost half of the respondents did not participate in the follow-up rounds of the survey, which makes it difficult to evaluate the total amount of managerial turnover and possible changes or trends in the phenomenon during the four-year follow-up period. However, if it is true that during economically uncertain periods less sickness absence and turnover occur, this might give even greater weight to the findings of the present research. Even in uncertain times employees and managers will change their jobs or take sick leave from work if ethical values are poorly presented and implemented in the organization.

Drawing together the results of Studies II and III, seven of the ethical culture's virtues were significantly associated significant with employee sickness absence in a cross-sectional study and four of them predicted turnover among managerial sample in a longitudinal setting. Those virtues that were most strongly associated with both sickness absence and turnover were the same ones; they included *congruency of supervisors*, *congruency of senior management*, *discussability* and *sanctionability*. The ethical example of supervisors and managers were shown to be crucial in explaining the outcomes studied in the present research, as well as outcomes such as employee well-being and organizational innovativeness found in previous studies. These two virtues seem to stand out throughout the literature, placing most emphasis on the role of management in an organization. In addition, organizations should ensure that they provide opportunities to openly discuss ethical issues, and that they have in place a system of rewards and punishments for (un)ethical conduct in order to raise the ethicality of the organization and reduce sickness absence and turnover among employees and managers. To get a broader perspective on these phenomena and their relations, it would be worth studying managers' sick leave and absenteeism together with turnover behavior and sickness absence in relation to ethical culture, in larger public sector organizations. However, the findings of the present research make a promising start in examining these phenomena, suggesting that in an ethical organization, employees can thrive and are more inclined to contribute to their work by committing to their team and the organization. As employees and managers are the backbone of any business success, they need to be motivated, treated well and this way it is more likely that they would want to remain in the organization. A company's competitive advantage relies on the skills and commitment of the individuals working there, especially when providing quality products and services to society. In the long run, an ethically oriented organization may produce beneficial outcomes for the individual, the organization, and even the surrounding society.

## 4.5 Strengths and limitations

This research has both strengths and limitations. A major strength is that the research opened new avenues in investigating the associations between ethical culture and sickness absence and managerial turnover, which have received very little or no attention in research before. In addition, the factorial validity of the CEV scale was tested and its group invariance, which is an important prerequisite for utilizing a scale in research, was examined for the first time. Recent studies have started to combine the research lines of the ethical organizational context and occupational well-being, but so far the focus has been on ethical strain, burnout and work engagement. More research is needed for us to thoroughly understand the associations between these two lines of research. Managers' job changes, and especially reasons for exiting an organization, have not been studied widely since the 1980's. The present research produced a fresh viewpoint on managerial turnover in relation to organizational ethics, and aimed to figure out the reasons why managers change their jobs. In addition, this research contributed to the study of organizational ethics and sickness absence, showing that through ethical organizational practices absences in organizations can be reduced, although sickness absence seems to be more of an individual than a shared phenomenon. Based on the findings it can be stated that organizational ethics plays a role in preventing the measurable outcomes of dissatisfaction and ill-being in organizations, i.e. sickness absence and turnover.

Other strengths of this research include, first of all, the utilization of different multi-sample datasets and a longitudinal four-year design with three different measurement periods. The varied and fairly large samples included individuals working both in lower-level and managerial positions in various private companies and one large public sector organization with four units: administrative services, urban design and business activities, social affairs and health, and education and culture. Second, various statistical methods, including CFA, SEM, logistic regression analysis and ANCOVA, were used to approach the studied phenomena from diverse viewpoints. In addition, a more qualitative approach was applied to the analysis of open-ended answers in order to gain a deeper understanding of the quantitative findings.

Regarding limitations of this research, it is acknowledged that as the employees and managers who took part in this study represented Finnish organizations, the generalizability of the results across other countries and organizational cultures is limited. The data was gathered using self-report measures, which raises questions about common method bias. The possibility of common method variance is present when data is collected from one source. However, it is possible to reduce possibly illusory answers, even if they cannot be entirely ruled out (see Podsakoff, MacKenzie, Lee, & Podsakoff, 2003). For instance, measures with different scale anchors were included in the present research (the likert scale for the ethical culture, open-ended question for the sickness absence days and turnover). Also group-level evaluations of ethical culture were



used, which produced more objective information on the manifestations of ethical culture in different work units.

The response rate for the samples was fairly low (ranging from 34 to 40%), and it is therefore possible that there has been some self-selection among the respondents, which raises the question of whether the samples represent the whole population. For example, the respondents who participated in Study III throughout the four years may have been managers who were particularly interested in ethical questions or, conversely, were particularly critical in their evaluations of ethical culture, which may have weighted the negative perceptions in the sample. However, the response rates in organizational studies utilizing data collected from individuals are approximately 35–40% (Baruch & Holtom, 2008), which suggests that the response rate in this research was satisfactory. In addition, previous studies have shown that non-respondents show greater intentions to quit and lower levels of organizational commitment (e.g., Rogelberg, Luong, Sederburg, & Cristol, 2000), which may even imply that the results of this study are over positive, showing less turnover and sickness absence than actually occurs. Then again, although the data used was large, the categories based on the open-ended answers of managers' reasons for job change were rather small. It is also important to note that even though the proposition according to P–O fit was that ethical managers value ethicality in their organization, managers' self-evaluations of their own ethical leadership were not included. Thus, the present research only assumed that the more ethical the leader is, the more important for her/him it is to work for an organization that has ethical values. Otherwise there is a risk for lower P–O fit, which may lead to changing jobs.

Regarding Study II, a limitation is that the reasons for sickness absence were not examined and the absence duration was not investigated. As there was no differentiation between voluntary and involuntary absences, the study results may not provide a comprehensive understanding of the phenomenon. It may be, for example, that conscientious employees work while they are ill (Hansen & Andersen, 2008) and some individuals may have reported sickness absence days although their absence was in fact voluntary. In addition, it should be noted that the shape of absence distributions is usually non-normal and right skewed: most of the employees do not have any absences, or they have only a few absence days throughout the measurement period (Steel, 2003), which is why would be worth investigating sickness absence with a person-oriented approach. Steel and Rentsch (1995) suggested that data should be collected over a longer period of time, such as two or three years, because data distributions may become more symmetrical as the study periods are lengthened. In other words, when the time perspective is several years, fewer employees will turn out to have perfect or near-perfect attendance. The advantage of the present research is its sample size, because increasing sample sizes are argued to have a smoothing effect on the shape of absence distributions.

Furthermore, since the respondents were asked to retrospectively think about their reasons for previous job change and sickness absence days during

the past year, their memory may have led them to give biased information. However, the relation between self-reported annual sickness absence days and actual health has been found to be as strong as the association between the annual number of register-based sickness absence days and health (Ferrie et al., 2005). It may also be that participants who reported more turnover and sickness absence will be more inclined to give more negative evaluations of the ethical culture, while those with fewer or no job changes or absences may have exaggerated how ethical the culture is. Because ethics in organizations is a delicate matter, the answers may suffer from social desirability response bias. Especially higher level managers who perceive the organization as partly their own “creation” or a result of their own actions may have given more positive evaluations for the ethical culture than is generally perceived in the organization by, for example, its employees. It has been suggested that there is a weak stable component to turnover (Semmer et al., 2014) and that some personal characteristics, such as poor physical condition and an unhealthy lifestyle, affect individual health (e.g., Alavinia et al., 2009), so organizational factors do not always function as the only significant predictor in individual outcomes. However, regarding sickness absence, there is a common understanding that the work environment can be a good predictor of absenteeism, some stating that it predicts absenteeism even more than demographic factors or any individual psychological characteristics (Farrell & Stamm, 1988).

Finally, one limitation is related to the variables chosen for this research. The CEV model is based on virtue ethics theory, but some of the virtues could equally well be examined through other business ethics theories. For instance, the virtue of feasibility, which refers to resources for ethical behavior, may not represent only ethicality and virtue in the organization as such, and it has in fact been shown to have a distinct impact on outcomes such as employee well-being (see Huhtala, 2013). As the CEV model includes various dimensions, they may overlap with other constructs such as organizational justice, ethical leadership, overall organizational culture and even one of the most popular topics in turnover and absence literature, job satisfaction and commitment. These factors were not investigated in this research as control variables, which may have affected the results. To develop ethical organizational culture theory, more research is required, and particularly more attention to what distinguishes it from neighboring fields of enquiry. However, ethical culture can also be perceived as a broad and encompassing factor in an organization with linkages to these aforementioned concepts. Last of all, to gain a better understanding of the connections between the concepts studied, it would have been useful to include measures on, for instance, individual characteristics and health behavior. However, the inclusion of all these variables in one study would have made it very time-consuming for respondents to fill in the questionnaire, which in turn could have led to an even lower response rate.

## 4.6 Theoretical and practical implications and further research

The results of this research, which used both cross-sectional and longitudinal research datasets as well as a mixed-method approach, show that a strong ethical organizational culture reduces the probability of turnover and sickness absence among employees and managers. These results are encouraging for organizations faced with issues of absence and job changes: when they are searching for a solution to these problems, the CEV scale offers a quite quick and practical way of measuring the ethical culture in their organization. The factorial validity and usability of the scale has already been verified in several studies, including this one. A shortened version of the CEV was presented by DeBode et al. in 2013, which provides an easier way for organizations to investigate the ethicality of their organizational culture. An organization's culture may be hard to perceive from the inside, but with the CEV questionnaire top managers can find out how members perceive the organization's ethical virtues.

With the multi-dimensional CEV scale, organizations can get detailed information about those virtues that are strongly present, as well as the ones that need to be developed further. Interventions for developing particular aspects of the ethical culture can be planned on the basis of this information. According to the findings of this research, both sickness absence and turnover can be reduced by focusing on the ethical example of managers at the supervisory and executive levels. The *congruency of supervisors and managers* has been shown to affect many other outcomes in the organization as well. To develop the virtues that are aspects of managerial work, a professional from outside of the company could be employed who would have a fresh perspective on the ethical issues and procedures that live on in the organization. Another two virtues that this research shows should be emphasized are *discussability* and *sanctionability*. With both sickness absence and turnover, it is important to make it possible for employees to raise and seriously discuss ethical issues and questions in the organization; this offers employees a channel to express their feelings and worries about these issues, and by sharing them to learn from others' experience. Moreover, ethical behavior should be rewarded and sanctions should exist for unethical conduct, since a lack of consequences for (un)ethical behavior sends the message to employees that it is not important to pay attention to ethical conduct, which in turn can lead to unethical behavior (Kaptein, 1998). In addition, if the consequences of (un)ethical actions are not consistent, employees may perceive it as unfair if they themselves strive to act ethically. However, although these virtues came up with the strongest association with sickness absence and turnover, the other virtues were important, too. As every organization has its own history, with its own values and ways of doing things, it is important to plan an intervention based on the results of the CEV for every organization separately. More research on the virtues emerging from the cultural base in different organizations is also needed.

Research on ethical organizational culture has developed and expanded considerably over the past three decades, since the concept was first brought up by Treviño in 1986. Nevertheless, it is still a fairly new concept and more research on it is needed from many perspectives. One reason for the slow development of research on ethical culture may be that few instruments are available to evaluate its existence in organizations (Kaptein, 2008; Treviño et al., 1998) and, with the exception of the 58-item CEV scale, such measures as there are have not been validated. However, a shortened 32-item version of the scale has been developed too, which is worth more attention, since it is more accessible and easier to use in organizations. Future studies should therefore provide further evidence for the construct validity of this scale, for instance by testing the group and time invariance of the scale.

The use of objective measures and multiple source data in addition to self-reports would enrich understanding of the relationship between ethical culture and different outcomes, as well as decrease the risk of common method bias, as the same person would not be evaluating both predictor and criterion variables. Combining register-based and self-evaluated absence days and examining their associations with ethical culture in longitudinal data could add to the validity of the findings on ethical culture. Regarding turnover, the reasons leading to the actual decision to leave the organization should be studied on a larger scale, both in managerial and employee samples. There is a call for understanding turnover behavior better, and in order to do that, different methods should be used to study the phenomenon. In addition, more attention could be paid to the different turnover groups, those who are push motivated leavers and those who quit because of pull motivation, as Semmer et al. (2014) have also suggested.

Future studies would benefit from longitudinal settings regarding the ethical culture and its outcomes. There is especially a shortage of intervention settings in this field of research. For instance, employee health and well-being and the ethical organizational culture could have an effect on each other over time, and not only one way, as proposed in this research. How changes in ethical culture affect sickness absence or absenteeism in general is another important topic for future studies: perhaps a longitudinal study with an intervention to enhance ethical virtues in the organization could shed some light on the relationship between the CEV and sickness absence. Regarding managers' job changes, this longitudinal, three-wave research suggested that certain aspects of ethical culture would indeed predict turnover among managers. However, no other antecedents, except for background factors, were included in the study. Thus, future studies should examine the overall ethical culture, ethical climate and other related variables in the same dataset in order to define what really matters in the decision to change jobs or take sick leave.

It would also be important to investigate what individual characteristics and values affect both sickness absence and job change decisions and whether these two phenomena actually have a stable component. In order to get a better understanding of the functioning and developmental practices of organizations' ethical culture, the ethical virtues should be measured at multiple time points,

between which different interventions should be directed at the management and other members of the organization. Different types of interventions could be implemented in different organizations or units, in order to find out which ones are most effective.

Finally, another fruitful direction would be to examine the mechanisms or processes influencing the links between ethical culture and different outcomes, such as sickness absence and turnover in the present study. The role of the psychological contract and the (mis)match between employees' and managers' own personal ethical values and their organization's ethical values could be studied as a mediator in order to see if this fit or misfit plays a role in explaining subsequent sickness absence and turnover decisions. A study by Huhtala and Feldt (2016) has already shown that P-O fit mediates the associations between ethical culture and commitment, which gives encouraging support to the previous assumptions of this research: namely, that the P-O value fit may explain the associations between ethical culture and actual turnover. On the other hand, future studies could examine whether job satisfaction and/or organizational commitment mediates the relationship between ethical organizational culture and push-motivated turnover. In one study, job satisfaction was found to predict turnover only for the participants with push motivation, i.e. those who wanted to get away from their job (Semmer et al., 2014). However, organizational commitment actually did not contribute to the prediction of turnover once job satisfaction was controlled for, which raises the question of the intertwining effects of these two concepts and that of the ethical organizational culture.

## 4.7 Conclusions

This research underlined the importance of nurturing responsible and ethical business practices in organizations, both to reduce sickness absence and to keep valuable managers in the organization. Employees and managers are likely to be more committed and have fewer sickness absences in organizations that have an ethical culture. As shown by the findings, the 58-item CEV scale can be recommended for examining and measuring the ethical culture of organizations, and in consequence, for improving business ethics theory and research. By applying the CEV questionnaire in organizations, it is possible to find out where the organization ethics is on strong ground and where there is room for development, and on that basis interventions can be planned that will enhance good practices within the organization. This research also contributed to the theory and practice of ethical organizational culture by investigating its associations with sickness absence for the first time at both the individual and work-unit level. The findings showed that most of the virtues of ethical organizational culture were related to lower sickness absence. In addition, this research established the role of ethical culture in preventing managerial turnover, and provided new information about the reasons for managers' job changes, which have not been examined in relation to organizational ethics before. In particular,

this research showed that in order to reduce both sickness absence and turnover, organizations should invest especially in good supervisory and managerial work and in supporting opportunities to discuss ethical issues, as well as show clearly that (un)ethical actions always have consequences.

## YHTEENVETO (SUMMARY)

### Eettisen organisaatiokulttuurin yhteys sairauspoissaoloihin ja työpaikanvaihtoihin

Organisaation eettisyyteen liittyvät teemat ovat keskeisiä aiheita paitsi käytännön työelämässä, myös tieteellisessä tutkimuksessa. Eettiset arvot ja periaatteet, joita organisaatiokulttuuri ja organisaation käytännöt ilmentävät, voivat vaikuttaa myönteisesti paitsi yrityksen menestykseen ja suoriutumiseen, myös kansantalouteen ja globaaliin kehitykseen. Tämän tutkimuksen tavoitteena oli tutkia eettisen organisaatiokulttuurin yhteyttä sairauspoissaoloihin ja työpaikanvaihtoihin. Lisäksi keskeisenä tavoitteena oli validoida eettisen organisaatiokulttuurin mittaamiseen kehitettyä menetelmää, 58-osioista Corporate Ethical Virtues kyselyä (CEV; Kaptein, 2008), joka perustuu hyve-etiikkaan. Eettistä organisaatiokulttuuria ei ole aikaisemmin tarkasteltu sairauspoissaolojen eikä juuri työpaikanvaihtojen näkökulmasta huolimatta siitä, että organisaation jäsenten hyvinvointi ja sitoutuneisuus on keskeistä yrityksen menestymisen kannalta. Sairauspoissaolot ja työpaikanvaihdot aiheuttavat organisaatioille kustannuksia, mahdollista ajanhukkaa ja vaikeuksia korvata osaajien tietotaitoa. Organisaation eettinen kulttuuri, joka pitää sisällään organisaation jäsenten jakamat käsitykset ja uskomukset, voi toimia resurssina ja sitouttamisen välineenä sairauspoissaolojen ja työpaikanvaihtojen vähentämisessä.

*Ensimmäisessä osatutkimuksessa* validoitiin 58-osioista CEV-kyselyä testaamalla sen faktorivaliditeettia eli sitä, koostuuko kysely CEV-mallin mukaisista kahdeksasta osa-alueesta eli hyveestä. Organisaation hyveet, jotka mahdollistavat eettisen toiminnan, ovat seuraavat: 1) eettisten sääntöjen, odotusten ja arvojen selkeys, 2) esimiehen sekä 3) ylemmän johdon eettisesti esimerkillinen toiminta, 4) toteutettavuus, eli organisaation tarjoamat riittävät resurssit (esim. aika, budjetti) ja mahdollisuudet toimia eettisesti työssä, 5) organisaation tarjoama tuki eettiselle toiminnalle, 6) eettisen tai epäeettisen toiminnan läpinäkyvyys, 7) mahdollisuus keskustella eettisesti ongelmalliseksi koetuista tilanteista avoimesti sekä 8) epäeettisen toiminnan seuraukset ja eettisestä toiminnasta palkitseminen. Tutkimuksen tavoitteena oli tutkia, muodostuuko 58-osioinen CEV-kysely kahdeksasta keskenään korreloivasta faktorista (kahdeksan faktorin rakenne) ja lisäksi toisen kertaluvun faktorin rakenteesta, joka selittyy kahdeksalla ensimmäisen kertaluvun faktorilla (hyveet). Lisäksi tavoitteena oli selvittää, ovatko edellä kuvatut CEV-mallin mukaiset faktorirakenteet invariantteja eli tilastollisesti samoja eri organisaatioissa kerätyissä aineistoissa. Otos koostui suunnittelutoimistosta ja suuresta julkisen sektorin kaupunkiorganisaatiosta. Suunnittelutoimistosta tutkimukseen osallistui 268 työntekijää ja kaupunkiorganisaatiosta 3 098 työntekijää, jotka edustivat hallintopalveluja, teknisiä palveluja ja liiketoimintaa (n = 434), sivistyspalveluja (n = 677) sekä sosiaali- ja terveyspalveluja (n = 1719). Tulokset analysoitiin konfirmatorisella faktorianalyysillä.

*Toisessa osatutkimuksessa* selvitettiin, onko eettinen organisaatiokulttuuri yhteydessä sairauspoissaoloihin suomalaisessa kaupunkiorganisaatiossa (n = 2 192) joka koostui 246 tutkitusta yksiköstä. Tarkoituksena oli erityisesti selvittää, onko yksilön arvioima eettisen kulttuurin taso yhteydessä yksilön raportoihin sairauspoissaoloihin (within-level), sekä onko saman työyksikön sisällä jaettu näkemys eettisen kulttuurin tasosta yhteydessä työyksikötason sairauspoissaoloihin (between-level). Yksilö- ja työyksikötason analyysit toteutettiin monitasomallinnuksella. Mallinnuksessa kontrolloitiin taustatekijöiden (sukupuoli, ikä, pitkäaikaissairaus) vaikutukset.

*Kolmannessa osatutkimuksessa* tutkittiin eettisen organisaatiokulttuurin yhteyttä työpaikanvaihtoihin ja niiden syihin suomalaisilla johtajilla. Tutkimuksessa hyödynnettiin neljän vuoden ja kolmen mittauskerran (2009, 2011, 2013) pitkittäistutkimusaineistoa, joka koostui suomalaisista johtajista. Logistisilla regressioanalyysillä selvitettiin kolmessa eri ryhmässä eettisen kulttuurin ja työpaikanvaihdon välisiä yhteyksiä. Ensimmäinen tutkittava ryhmä (n = 451) sisälsi johtajat, jotka olivat vastanneet CEV-kyselyyn ensimmäisellä mittauskerralla (2009) ja raportoineet kahden vuoden kuluttua toisella mittauskerralla (2011) työpaikanvaihdostaan viimeksi kuluneiden kahden vuoden aikana (2009–2011). Toiseen ryhmään (n = 308) kuuluivat johtajat, jotka olivat vastanneet CEV-kyselyyn toisella mittauskerralla (2011) ja raportoineet työpaikanvaihdostaan kahden vuoden kuluttua kolmannella mittauskerralla (2013). Kolmannen tutkittavaan ryhmään (n = 410) valittiin johtajat, jotka olivat raportoineet arvionsa eettisestä organisaatiokulttuurista ensimmäisellä mittauskerralla (2009) ja ilmoittaneet kolmannella mittauskerralla (2013) vaihtaneensa työpaikkaa. Neljänteen tutkittavaan ryhmään (n = 382) kuuluivat johtajat, jotka olivat kolmannella mittauskerralla (2013) nimenneet syitä työpaikanvaihtoihinsa viimeisen neljän vuoden aikana ja johtajat, jotka eivät olleet vaihtaneet työpaikkaa tutkimuksen aikana. Tutkimusajanjakson (2009–2013) aikana tapahtuneiden työpaikanvaihtojen syitä kartoitettiin avoimella kysymyksellä. Nämä avoimet vastaukset ensimmäisen työpaikanvaihdon syistä luokiteltiin laadullisesti viiteen sisältöluokkaan, joita olivat: 1) irtisanominen (n = 44, irtisanotut ja johtajat, jotka olivat neuvotelleen itselleen ”irtisanomispaketin”), 2) urahaasteet (n = 38, ammatilliseen kehitykseen pyrkivät ja urahaasteita etsivät johtajat), 3) organisaatioon tai työhön tyytymättömyys (n = 17, tyytymättömyys organisaation tai johdon toimintaan, arvojen yhteensopimattomuus), 4) organisaatiomuutos (n = 13, yritysfuusiot ja oman työtehtävän muutokset sen myötä) sekä 5) laskenut työmotivaatio ja työhyvinvointi (n = 12, työhyvinvoinnin ja motivaation lasku mm. stressin ja työn kuormittavuuden seurauksena). Näitä työpaikanvaihtoryhmiä verrattiin ANCOVA-analyysissä niiden johtajien joukkoon, jotka eivät olleet vaihtaneet työpaikkaa neljän vuoden seuranta-ajalla. Lisäksi näitä ryhmiä tutkittiin suhteessa eettisen organisaatiokulttuurin hyveisiin.

*Ensimmäisen osatutkimuksen* tulokset tukivat vahvasti 58-osioisen CEV-kyselyn oletettua rakennetta tutkituissa organisaatioissa. CEV-mallin mukaisesti kysely sisälsi kahdeksan faktoria (hyvettä), jotka korreloivat keskenään. Myös vaihtoehtoinen toisen kertaluvun faktorin rakenne sopi hyvin organisaatio-



tioaineistoihin. Siinä toisen kertaluvun faktori (CEV) selittyi kahdeksalla ensimmäisen kertaluvun faktorilla (hyveellä). Lisäksi havaittiin, että kyselyn faktorirakenne pysyi tilastollisesti samanlaisena eli invarianttina tutkittujen organisaatioiden henkilöstöjen välillä. Tutkimuksen tulokset osoittivat, että CEV-kysely soveltuu hyvin eettisen organisaatiokulttuurin tutkimisen kyselymenetelmäksi suomalaisissa organisaatioissa.

*Toisen osatutkimuksen* tulokset osoittivat, että yksilöllinen kokemus vahvasta eettisestä organisaatiokulttuurista oli yhteydessä vähäisempiin yksilötason sairauspoissaoloihin kaupunkiorganisaation henkilöstöllä. Hyveiden tasolla havaittiin, että kaikki hyveet selkeyttä lukuunottamatta olivat yhteydessä sairauspoissaolojen vähäisyyteen. Työyksikkötasolla vastaavaa yhteyttä ei löytynyt: jaetut näkemykset työyksikössä ilmenevästä eettisestä kulttuurista eivät olleet yhteydessä keskimääräisiin sairauspoissaoloihin työyksikössä. Parhaimmillaan työyksikössä jaetut kokemukset eettisen kulttuurin hyveistä selittivät vaihtelusta 27 %, kun taas sairauspoissaolojen osalta yksiköiden sisäisesti yhteneväiset raportoinnit sairauspoissaoloista selittivät vain 4 % vaihtelusta. Tulosten perusteella voidaan päätellä, että sairauspoissaolojen ja eettisen kulttuurin välinen yhteys ovat enemmän yksilö- kuin ryhmätason ilmiö. Yksilötason analyysit osoittivat, että hyveistä esimiehen eettinen esimerkillisyys ja keskusteltavuus olivat voimakkaimmin yhteydessä sairauspoissaoloihin. Tutkimustulos antaakin viitteitä siitä, että muiden hyveiden ohella erityisesti esimiehen toiminta sekä mahdollisuus keskustella eettisistä pulmista työyhteisössä ovat keskeisiä hyveitä, joihin organisaatioissa tulisi kiinnittää huomiota sairauspoissaolojen ehkäisemiseksi.

*Kolmas osatutkimus* osoitti, että hyveistä esimiehen ja johdon eettinen esimerkillisyys olivat kaikissa tutkituissa ryhmissä johtajien työpaikanvaihtoa selittäviä hyveitä. Näiden kahden hyveen lisäksi myös keskusteltavuus ja toiminnan seuraukset nousivat merkitseviksi hyveiksi työpaikanvaihtojen ennustajina aikavälillä 2011–2013. Avoimien vastausten tulokset tukivat aikaisempia määrällisen analyysin tuloksia osoittaen, että työpaikassaan pysyneet johtajat olivat tyytyväisempiä organisaationsa eettiseen kulttuuriin. Lisäksi havaittiin, että organisaatioon tai työhön tyytymättömät sekä vähäisen työmotivaation ja työhyvinvoinnin ryhmä arvioivat eettisen kulttuurin kokonaisuudessaan alhaisemmaksi kuin muut ryhmät. Siten tulokset osoittivat yhtäältä, että johtajat pysyvät todennäköisemmin organisaatioissa, joissa vaalitaan eettisiä arvoja. Toisaalta havaittiin myös, että työpaikanvaihtajien ryhmä ei ole yhtenäinen, ja vähemmän eettinen organisaatiokulttuuri on yhteydessä voimakkaammin tiettyihin työpaikanvaihdon syihin, kuten tyytymättömyyteen tai vähentyneeseen työhyvinvointiin. Yhteenvetona voidaan todeta, että neljä kahdeksasta hyveestä ovat tämän tutkimuksen perusteella erityisen tärkeitä työpaikanvaihtojen ehkäisemisessä. Toisin sanoen, työpaikanvaihtojen ennustajina esiin nousivat erityisesti esimiehen sekä johdon eettisesti esimerkillinen toiminta, mahdollisuus keskustella eettisesti ongelmallisista tilanteista organisaatiossa sekä se, että epäeettisellä toiminnalla on seurauksia ja että eettisestä toimintatavasta palkitaan.

Tämän tutkimuksen tulokset osoittivat, että organisaation eettisillä arvoilla ja toimintatavoilla on merkitystä henkilöstön sairauspoissaolojen ja johtajien työpaikanvaihtojen vähentämisessä. Mitä vahvemmin eettiset hyveet olivat edustettuina organisaatiossa, sitä vähemmän sairauspoissaoloja ja työpaikanvaihtoja ilmeni. Eettisen organisaatiokulttuurin hyveistä erityisesti johtajan ja esimiehen eettisen mallitoiminnan merkitys painottui tutkimustuloksissa, mutta myös keskustelukulttuurin ja toiminnan seurausten keskeisyys nousi esiin. Lisäksi tämä tutkimus osoitti CEV-kyselyn olevan rakenteeltaan samanlainen tutkittujen organisaatioiden henkilöstöillä. Tutkimukseni tulokset tuovat uutta näkökulmaa organisaatioetiikan tutkimukseen ja painottavat eettisten ja vastuullisten toimintapojen tärkeyttä käytännön työelämässä.

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## **ORIGINAL PAPERS**

### **I**

#### **THE CORPORATE ETHICAL VIRTUES SCALE: FACTORIAL INVARIANCE ACROSS ORGANIZATIONAL SAMPLES**

by

Maiju Kangas, Taru Feldt, Mari Huhtala, & Johanna Rantanen, 2014

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## The Corporate Ethical Virtues Scale: Factorial Invariance Across Organizational Samples

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**Abstract** This study investigated the factorial validity of the 58-item Corporate Ethical Virtues scale (CEV; Kaptein, *J Organ Behav* 29(7):923–947, 2008). The major aim was to test the invariance of the factor structure across different organizational samples. The CEV scale was designed to measure eight corporate virtues: clarity, congruency of supervisors, congruency of senior management, feasibility, supportability, transparency, discussability, and sanctionability. The data (total  $N = 3,702$ ) consisted of four organizational samples that are operated in the private and public sector. The results of confirmatory factor analyses supported the hypothesized eight-factor structure, as well as its alternative second-order factor structure, where high correlations between the first-order factors (virtues) were explained by a general CEV factor. These factor structures (including factor loadings) remained the same across samples, lending strong support for the group invariance assumption of the scale. Thus, the 58-item CEV scale was found to be a valid tool for measuring the aspect of ethical organizational culture in different organizations, and its use can be recommended for future research.

**Keywords** Ethical organizational culture · The CEV scale · Confirmatory factor analysis · Factorial validity · Factorial invariance

### Introduction

Ethical organizational culture has received growing interest in the business and organizational ethics literature. It has been recognized that valuing ethical practices can be a substantial asset to an organization in terms of material and immaterial profits. The ethical culture of an organization directs decision making (Sims and Keon 1999), prevents unethical behavior and encourages detecting and correcting wrongdoing (Kaptein 2011a, b). A higher level of organizational ethics has also been found to be positively associated with higher organizational commitment (e.g., Huhtala et al. 2012; Treviño et al. 1998) and higher work engagement, as well as with less ethical strain and emotional exhaustion (Huhtala et al. 2011).

However, ethical organizational culture is still a quite largely uncharted area in the field of research. One reason for this might be that there exist only a few instruments to evaluate the existence of ethical virtues in organizations (Kaptein 2008; Treviño et al. 1998). Furthermore, the empirical evidence regarding the validity of these instruments is still scarce (Huhtala et al. 2011; Kaptein 2008; Key 1999; Treviño et al. 1998), although the evaluation of the measurement process is pivotal since it defines the links between organizational theories and the data that are used to test them (Vandenberg and Lance 2000). It is essential to develop valid and reliable measures in order to improve business ethics theory and research, as well as business practices. The aim of the present study was to respond to this need by investigating the construct validity of the

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58-item Corporate Ethical Virtues (CEV) scale (Kaptein 2008) utilizing multi-sample data gathered in Finnish organizations.

#### Conceptualizing and Studying the Ethical Culture of Organizations

Ethical culture can be defined as those aspects of the organizational context that affect ethical behavior in the organization (Treviño and Weaver 2003). It incorporates the experiences, presumptions, and expectations of how the organization prevents unethical behavior and promotes ethicality (Kaptein 2009). It can be defined as a subset of organizational culture that has formal (e.g., ethics codes, reward, and educational systems) and informal (e.g., peer behavior, ethical norms) systems that can affect ethical behavior in an organization (Treviño 1990). In previous research literature, the concepts of ethical culture and ethical climate have been distinguished, although they are seen as strongly related dimensions of ethical context (Kaptein 2008; Treviño et al. 1998). Ethical climate relates to atmospheric conditions (e.g., perceptions and feelings), whereas ethical culture refers to those aspects that stimulate ethical conduct and can be seen as a deeper and broader construct (Treviño and Weaver 2003; Victor and Cullen 1988).

Treviño et al. (1998) were the first to develop and test a scale to measure the ethical culture of organizations. They included the constructs of both ethical climate and culture in the study to investigate their interrelationship. As this study was the first to conceptualize the ethical culture of organizations, they developed items to measure it based upon previous theoretical work (Treviño 1990). Based on a study sample of 318 alumni of two private colleges in the US, they conducted a principal components factor analysis to investigate the convergence and divergence of the ethical climate and culture constructs. The factor analysis revealed seven factors of ethical climate and three factors of ethical culture. The factors of ethical culture were: obedience to authority (3 items), code implementation (4 items), and overall ethical environment (14 items). The overall ethical environment consisted of (1) six items for the sanctions and rewards for ethical and unethical conduct, (2) four items for the role modeling of top management, (3) three items for the implementation and effectiveness of an ethics code, and (4) one item for whether ethical behavior is the norm in the organization. These four dimensions were expected to be found in the factor analysis. However, the dimensions loaded into one factor, not supporting the hypothesized four-factor structure.

Treviño et al. (1998) proposed that the measure for ethical culture should be refined in future studies to make it more applicable to both code and non-code organizations, as their study was developed with a code organization bias.

Also Kaptein (2008) later proposed that the measure should be refined because it included only 14 items to measure the overall ethical context. However, the measure has not been developed further in the research and its validity has been questioned (see Key 1999).

Kaptein (2008) defined the construct of ethical organizational culture with multiple dimensions. The Corporate Ethical Virtues (CEV) model (Kaptein 2008) is the first empirically validated multi-dimensional model to measure ethical organizational culture. It distinguishes between eight virtues that promote the ethical culture of an organization and, by implication, ethical behavior of employees and managers. This approach is based on the concept of virtue ethics, which roots back to the works of Plato and Aristotle. The concept of virtue ethics defines what kind of behavior is seen as morally right and worth pursuing. This ideology has been extended to business ethics by Solomon (1999, 2000, 2004), who developed a theoretical framework described as an Aristotelian approach. According to Solomon (2004, p. 1023), our virtues, that are best in us, are defined by a larger community: “The Aristotelian approach to business ethics, rather, begins with the two-pronged idea that it is individual virtue and integrity that count, but good corporate and social policy encourage and nourish individual virtue and integrity”.

According to Kaptein (1998, 1999), the virtuousness of a corporation can be determined by the extent to which the organizational culture stimulates employees to act ethically and prevents them from acting unethically. The theory is normative, suggesting that both individuals and organizations should have certain features (virtues) that promote acting according to what is seen to be morally right. The presence of these virtues, in turn, promotes the ethicality of an organization, thus creating a virtuous circle.

According to Kaptein (2008), the eight virtues that can promote ethical organizational culture are the following: (1) *Clarity* refers to the extent to which ethical expectations are made concrete and understandable in the organization; (2) *Congruency of supervisors*; and (3) *Congruency of senior management* represent the degree to which managers act as role models, following the organizational ethical standards; (4) *Feasibility* refers to the conditions created by the organization to enable employees to fulfill their responsibilities; (5) *Supportability* is the extent to which the organization provides support for the management and employees to identify with the ethics of the organization; (6) *Transparency* refers to the degree to which the consequences of the conduct are visible to everyone in the organization; (7) *Discussability* refers to the opportunities to discuss ethical issues internally; and (8) *Sanctionability* is defined as the extent to which employees believe that wrongdoing is acknowledged and punished, and ethical behavior rewarded.



## Developing and Testing the Corporate Ethical Virtues (CEV) Scale

To define the aforementioned virtues, Kaptein (1998) conducted a qualitative analysis of 150 interviews at various organizations to come up with three distinct types of organizational dilemmas, characterized by seven typical qualities. Based on this characterization, Kaptein (2008) further developed a measure for ethical organizational culture. The initial set of 96 cultural items was drawn upon existing theory and research, and revised on the basis of the feedback from academic experts, practitioners and management consultants (see Kaptein 2008). The questionnaire was then pre-tested with a pilot study and revised into the 72-item scale by omitting items with complexity, low levels of variance, and high levels of skewness (leaning) and kurtosis (peaking). The latent structure underlying the seven dimensions was first tested with an exploratory factor analysis of the sample of 242 respondents from one Dutch organization, using the 72-item scale. The factor analysis revealed that the items loaded into eight individual factors. Also, 14 items were eliminated because their loading was 0.30 or greater for more than one factor, resulting in the 58-item CEV scale.

The 58-item CEV scale was then subjected to first- and second-order confirmatory factor analyses in the sample of another organization ( $n = 312$ ) to assess the goodness-of-fit of the correlated eight-factor structure and the latent structure underlying the ethical culture indicators. The correlated eight-factor structure of the 58-item CEV scale was first tested with a first-order factor analysis, which showed that the expected structure fit the data very well. After that, a second-order factor structure, where the high intercorrelations between first-order factors were explained by a higher-order factor describing the total CEV, was estimated. This model also fit the data well. Thus, the factorial validity of the 58-item CEV scale was supported in a small-scale sample of Dutch employees. The results showed eight factors with a good overall fit of the model, that is, virtues that appeared to contribute to the unethical conduct of employees.

Recently Huhtala et al. (2011) tested the factorial validity of the 58-item CEV scale (Kaptein 2008) by applying the method of confirmatory factor analysis (CFA) to a sample of 902 Finnish managers working in different organizations. Their results showed that the eight-factor model fit the data better than a freely estimated or one-factor model. The correlations between the dimensions of the CEV factors ranged from 0.46 to 0.90. After taking into consideration some high-error covariances between observed variables, the modified model reached an excellent fit and was used in subsequent analyses. Following the analytical procedure of Kaptein (2008), they also

conducted a higher-order factor analysis to examine whether the eight dimensions' intercorrelations could be explained by a second-order factor of ethical organizational culture. This model also fit the data very well. The first-order factor loadings ranged from 0.47 to 0.95, and for the second-order model from 0.60 to 0.97. Thus, support was found for the eight-factor structure of the CEV scale, and also for the assumption that the core construct of ethical culture is measured by the eight factors.

To increase the validity and test the 58-item CEV scale, the measure has been employed in four recent studies of both US working population samples and Dutch samples (Kaptein 2009, 2010, 2011a, b). The results of these studies suggest that multi-dimensional constructs should be used to achieve a better understanding of the relationships between the concepts studied, and suggest specifically investigating the possible differences between dimensions instead of perceiving the ethical culture of organizations only as a one-dimensional construct. In the first two studies (Kaptein 2009, 2010), the previous version of the 58-item CEV scale (called *Integrity Thermometer*, see Kaptein 1998; for version 1, see Kaptein and Van Dalen 2000; and for version 2, see Kaptein and Avelino 2005) was employed.

As stated above, findings from previous studies have supported the eight-factor structure of the 58-item CEV scale and verified that the factors represent a core construct of the ethical culture of organizations (Huhtala et al. 2011; Kaptein 2008). The two studies validating the 58-item CEV scale were the original study of Kaptein (2008), with only one organization included, and the study of Huhtala et al. (2011) with manager samples, where the respondents did not share a common organizational context. Therefore, there is still need for examining the perceptions of both employees and managers working in the same organization, as well as for organizational comparisons, in order to enhance the factorial validity of the CEV scale.

Despite the increasing use of the 58-item CEV scale in examining ethical organizational culture, to our knowledge the factorial invariance of the scale across different samples has not been tested in previous studies. Factorial invariance is a fundamental prerequisite for the use of the scale when assessing factors across different samples or time points (Little 1997; Schmitt and Kuljanin 2008; Vandenberg and Lance 2000). In general, the measurement invariance of the scales has been increasingly tested in research, as it is important to insure that groups are compared based on instruments that measure the same construct (Chen 2007; Vandenberg and Lance 2000). Strong factorial invariance across groups indicates that constructs are fundamentally similar in each group, whether the groups are defined on the basis of culture, gender, or any other grouping criteria (Little and Slegers 2005). Thus, testing the factorial invariance of the 58-item CEV scale is

important and essential for its use in future studies investigating the ethical culture of organizations.

The Aims and Hypotheses of the Present Study

To sum up, the main aim of the present study was to investigate whether the eight-factor structure of the 58-item CEV scale shows consistency across different organizational samples. The following hypotheses were tested:

- H1a: The correlated eight-factor structure of the CEV scale is a valid structure; i.e., the CEV scale contains eight correlating factors (see Fig. 1a).
- H1b: The second-order factor structure with eight first-order factors is a valid structure; i.e., eight factors (virtues) load into the encompassing higher-order factor of the CEV scale (see Fig. 1b).
- H2: The hypothesized factor structures remain the same regardless of the sample properties; i.e., the structure of the 58-item CEV scale is invariant across divergent organizational samples.

Method

Data Collection

The study was based on four samples that together contained 3,702 Finnish participants working in two organizations. The first organization operated in the private sector (consulting and engineering,  $n = 536$ ), and the second included four units (service areas) in the public sector ( $n = 8,366$ ). The units were: (1) *administrative services* ( $n = 268$ ; 3 %); (2) *urban design and business activities*

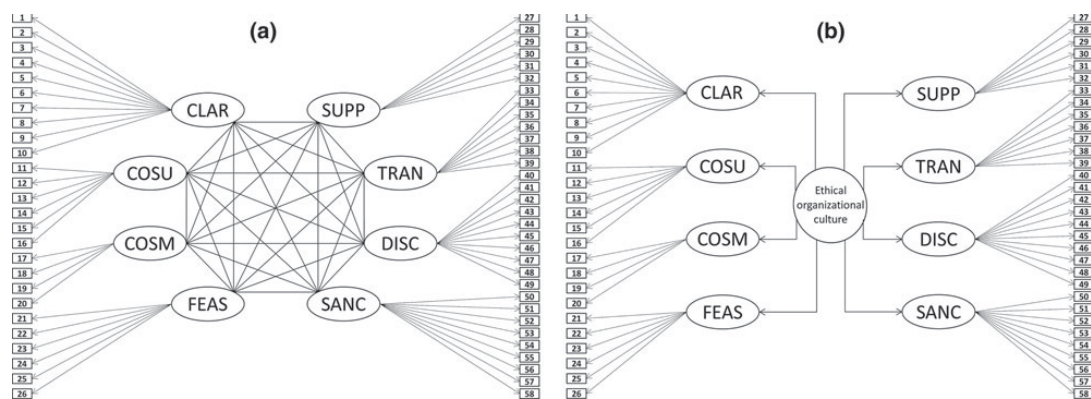
( $n = 1,766$ ; 21 %); (3) *education and culture* ( $n = 1,973$ ; 23 %); and (4) *social affairs and health* ( $n = 4,359$ ; 52 %). Because the tested eight-factor structure of the 58-item CEV scale was too large in relation to the sample sizes of the first two units, we combined them into one unit (sample 1). This unit was renamed *administration, urban design, and business activities* ( $n = 2,034$ ; 24.3 %). The data were obtained through Internet-based questionnaires in May 2011. The total response rate was 40.5 % (3,608 of 8,902).

The attrition analysis showed that in most samples, the participants who provided some information on the CEV items represented the whole population well. In sample 2 (education and culture), men were underrepresented and women slightly overrepresented, and in sample 4 (engineering company), men were underrepresented. In general, some slight differences in the age groups were found between the samples and the general population. Especially, the lack of 31 to 40-year-old respondents was apparent, as they were underrepresented in most samples.

Participants of the Present Study

In this study, we included those respondents who had provided some information on the CEV items ( $n = 3,098$ ).

*Sample 1* ( $n = 434$ ) consisted of respondents from the service areas of *administrative services and urban design and business activities*. This sample included the sectors of administration, human resources, competitiveness and innovation, IT services, economic guidelines and internal auditing, as well as communications, marketing and international relations. Also included in this sample were the service areas of urban planning and city infrastructure, building and environmental supervision, and municipal enterprises (real estate services, financial services, an



**Fig. 1** The CEV scale **a** correlated eight-factor structure, **b** second-order factor structure with eight first-order factors. *CLAR* clarity, *COSU* congruency of supervisors, *COSM* congruency of senior

management, *FEAS* feasibility, *SUPP* supportability, *TRAN* transparency, *DISC* discussability, *SANC* sanctionability

occupational health center, construction and maintenance, catering and the Central Finland Fire and Rescue Department). Most of the respondents working in this sample of service sectors were women, the largest age group consisting of 51 to 60 year olds.

*Sample 2* ( $n = 677$ ) included respondents from the sector of *education and culture*. This sample consisted of the service areas of education administration, basic education (schools), youth services and culture (e.g., libraries, museums, an adult education center, a city theater), as well as sports and recreation. Most of the respondents in this group were 41 to 50-year-old women.

*Sample 3* ( $n = 1719$ ) consisted of respondents from the service areas of *social affairs and health*, which included regional health services (e.g., municipal health center/hospital, dental health care practice, maternity clinic, schools, and student health care facility), children's day care and preschool education, services for the elderly and disabled, social- and family services, as well as psycho-social services. The largest age groups consisted of 41 to 50- and 51 to 60-year-olds, and the majority of the respondents were women.

*Sample 4* ( $n = 268$ ) was based on data gathered from an *engineering company* that provides consulting and engineering services for developing and improving industrial investments within the bio/pharmaceutical, process, mechanical, energy and marine sectors. The majority of the respondents were men, and age groups from 30 to 60 years were equally represented.

The background information for the participants in all samples is summarized in Table 1.

## Measures

Ethical organizational culture and its subdimensions were measured with the Finnish version of the 58-item Corporate Ethical Virtues (CEV) questionnaire developed by Kaptein (2008). The original Dutch version of the scale was first translated into Finnish and later again translated back to Dutch by linguistic professionals. The translation back to Dutch was revised with minor changes that were approved by the original developer of the questionnaire. The current scale consists of eight dimensions, which are: *clarity* (10 items, e.g., "The organization makes it sufficiently clear to me how I should obtain proper authorizations"); *congruency of supervisors* (6 items, e.g., "My supervisor sets a good example in terms of ethical behavior"); *congruency of senior management* (4 items, e.g., "The conduct of the Board and (senior) management reflects a shared set of norms and values"); *feasibility* (6 items, e.g., "I have insufficient time at my disposal to carry out my tasks responsibly"); *supportability* (6 items, e.g., "In my immediate working environment, an atmosphere of

mutual trust prevails"); *transparency* (7 items, e.g., "If a colleague does something which is not permitted, my manager will find out about it"); *discussability* (10 items, e.g., "In my immediate working environment, there is adequate scope to discuss unethical conduct"); and *sanc-tionability* (9 items, e.g., "In my immediate working environment, ethical conduct is rewarded"). The response scale spanned from 1 (*strongly disagree*) to 6 (*strongly agree*), and negatively worded item scores were reversed. The Cronbach's alpha reliability coefficients ( $\alpha$ ) for the 58-item CEV scores in each sample were very high. The lowest values were found for *feasibility* (between 0.80 to 0.88) and the highest values for *congruency of supervisors* (between 0.95 to 0.97). Previous research suggests that the scale is reliable among different types of samples (Huhtala et al. 2011; Kaptein 2008).

## Data Analyses

Confirmatory factor analysis (CFA) was used to examine the factorial validity and measurement invariance of the CEV scale across samples. The statistical analyses were performed with the Mplus statistical package (Muthén and Muthén 1998–2011), using the missing data method and robust maximum likelihood estimation (MLR), which is robust to the non-normality of the observed variables. The IBM SPSS Statistics program (version 19.0) was used to investigate the differences between the samples in evaluations of ethical organizational culture. The differences were analyzed with one-way analyses of variance (ANOVAs).

At first, the goodness-of-fit of the correlated eight-factor model was tested for each sample separately in order to see how the structure of the CEV scale fits with the data of each of the four samples. Second, we tested the goodness-of-fit of the second-order factor model separately for each sample to see whether the latent structure underlying the eight ethical culture indicators could be found. In judging the fit of the hypothesized model, we used a combination of absolute and relative goodness-of-fit indices: standardized root mean square residual (SRMR; differences between the observed and estimated correlations) and root mean square error of approximation (RMSEA; a measure of the discrepancy per degree of freedom) with values of 0.05 or less indicating a good fit, values between 0.06–0.08 indicating a reasonable fit, and values  $\geq 0.10$  indicating a poor fit (Hu and Bentler 1999; Kline 2010). Consequently, we used the Tucker–Lewis Index (TLI; Tucker and Lewis 1973) and Comparative Fit Index (CFI; Bentler 1990) to evaluate the model fit. These criteria typically compare a proposed model with a *null* model and are sometimes preferred to indicate goodness-of-fit (cf., Medsker et al. 1994), with values of at least 0.90 indicating a good fit. The Chi square

**Table 1** Background information on the respondents of the CEV questionnaire

Study samples	Sample 1: administration, urban design and business activities <i>n</i> (%)	Sample 2: education and culture <i>n</i> (%)	Sample 3: social affairs and health <i>n</i> (%)	Sample 4: engineering company <i>n</i> (%)	Total sample <i>n</i> (%)
Age	434 (14)	677 (22)	1,719 (55)	268 (9)	3,098
<30	26 (6)	60 (9)	235 (14)	48 (18)	369 (12)
31–40	94 (22)	152 (23)	322 (19)	72 (27)	640 (21)
41–50	118 (27)	238 (35)	557 (32)	66 (25)	979 (31)
51–60	155 (36)	193 (28)	521 (30)	68 (25)	937 (30)
61<	41 (9)	34 (5)	84 (5)	14 (5)	173 (6)
Gender					
Male	145 (33)	171 (25)	100 (6)	208 (78)	624 (20)
Female	289 (67)	506 (75)	1,619 (94)	60 (22)	2,474 (80)
Education					
Basic education <sup>a</sup>	18 (4)	17 (3)	74 (4)	2 (1)	111 (4)
Upper secondary education <sup>b</sup>	239 (55)	222 (33)	1,060 (62)	64 (24)	1,585 (51)
Higher education <sup>c</sup>	177 (41)	438 (64)	585 (34)	202 (75)	1,402 (45)
Position					
Employee	332 (76)	614 (91)	1,580 (92)	213 (80)	2,739 (89)
Manager	102 (24)	63 (9)	139 (8)	55 (20)	359 (12)

<sup>a</sup> Nine-year basic education (comprehensive school)

<sup>b</sup> Comprising general education and vocational education and training

<sup>c</sup> Provided by universities and polytechnics

statistic ( $\chi^2$ ; Satorra and Bentler 2001) and its associated  $p$  value are used to evaluate the assumption that the observed and estimated variance–covariance matrices differ. An insignificant ( $\geq 0.05$ )  $\chi^2$  statistic indicates that the model and the sample data are consistent.

The Chi square test for model fit is known to be highly sensitive to sample size, because as the sample size increases (generally above 200), the  $\chi^2$  statistic has a tendency to indicate a significant probability level. The Chi square statistic is therefore affected by sample size, which is why the additional use of other goodness-of-fit indices is strongly recommended for large sample sizes (Chen 2007; Hu and Bentler 1999). In the present study, more emphasis was therefore placed on the aforementioned, other measures of fit.

After testing the goodness-of-fit of the hypothesized first-order and second-order factor structures for each individual sample, we tested the factorial group invariance of the CEV scale across all four organizational samples. These samples were combined into one data matrix and analyzed as a multi-group dataset. A freely estimated eight-factor structure of the 58-item CEV scale (no constraints between samples) was compared to a constrained eight-factor structure in which the parallel factor loadings were

estimated to be equal between samples. In addition, we compared the freely estimated second-order factor structure of the 58-item CEV scale to the constrained second-order factor structure, following the same procedure. These freely estimated and constrained eight-factor structures as well as the second-order factor structures of the 58-item CEV scale were compared against each other using the Satorra and Bentler (2001) scaled  $\chi^2$  difference test. The constraints of the factor loadings, that is, the factorial invariance of the CEV scale between the samples, is supported if the Chi square difference test produces a non-significant loss-of-fit with regard to the constrained structure in comparison to the freely estimated structure.

## Results

### Testing the CEV Model and Its Factorial Invariance Across Samples

The goodness-of-fit indices for the correlated eight-factor model are shown in Table 2, and for the second-order-factor model in Table 3. As seen, both models showed a good fit with the given samples. In all samples, the values

**Table 2** Goodness-of-fit criteria for the correlated eight-factor model regarding each sample

Sample	$\chi^2$	df	<i>p</i>	RMSEA	SRMR	CFI	TLI
Total sample ( <i>n</i> = 3,098)	11375.19	1,567	0.000	0.04	0.05	0.91	0.91
Administration, urban design and business activities ( <i>n</i> = 434)	3214.26	1,567	0.000	0.05	0.05	0.90	0.90
Education and culture ( <i>n</i> = 677)	4010.88	1,567	0.000	0.05	0.05	0.91	0.90
Social affairs and health ( <i>n</i> = 1,719)	7004.03	1,567	0.000	0.05	0.05	0.90	0.90
Engineering company ( <i>n</i> = 268)	2885.64	1,567	0.000	0.06	0.06	0.88	0.87

RMSEA root mean square error of approximation, SRMR standardized root mean square residual, CFI comparative fit index, TLI Tucker–Lewis Index

**Table 3** Goodness-of-fit-criteria for the second-order-factor model regarding each sample

Sample	$\chi^2$	df	<i>p</i>	RMSEA	SRMR	CFI	TLI
Total sample ( <i>n</i> = 3,098)	11769.72	1,587	0.000	0.04	0.05	0.91	0.90
Administration, urban design and business activities ( <i>n</i> = 434)	3294.75	1,587	0.000	0.05	0.05	0.90	0.90
Education and culture ( <i>n</i> = 677)	4096.36	1,587	0.000	0.05	0.05	0.90	0.90
Social affairs and health ( <i>n</i> = 1,719)	7273.79	1,587	0.000	0.05	0.06	0.90	0.89
Engineering company ( <i>n</i> = 268)	2926.24	1,587	0.000	0.06	0.06	0.88	0.87

RMSEA root mean square error of approximation, SRMR standardized root mean square residual, CFI comparative fit index, TLI Tucker–Lewis Index

of the CFI and TLI approached or met the criterion value of 0.90. The RMSEA and SRMR also provided mostly good values (0.05), and in one sample the values were reasonable (0.06). The first- and second-order factor loadings are shown in Table 4. The results suggest that the eight-factor structure of the CEV scale is a valid structure and that the eight factors measure the core construct of ethical culture.

The results supported the assumption of factorial invariance between samples in the correlated eight-factor CEV model. For the freely estimated eight-factor model, the fit indices were:  $\chi^2$  (6,442) = 18616.09,  $p < 0.001$ , RMSEA = 0.05, SRMR = 0.06, CFI = 0.89, TLI = 0.89. In the constrained model (factor loadings set to be equal across samples), the results also provided a satisfactory fit:  $\chi^2$  (6,592) = 18929.18,  $p < 0.001$ , RMSEA = 0.05, SRMR = 0.06, CFI = 0.89, TLI = 0.89. As expected, the Satorra–Bentler scaled  $\chi^2$  difference test produced a significant loss-of-fit with regard to the invariant eight-factor model:  $\chi^2$  (150) = 324.58,  $p < 0.001$ . The findings were highly similar for the second-order factor model. For the freely estimated second-order factor model, the fit indices were:  $\chi^2$  (6,519) = 18791.30,  $p < 0.001$ , RMSEA = 0.05, SRMR = 0.11, CFI = 0.89, TLI = 0.89. The fit indices for the constrained second-order factor model were:  $\chi^2$  (6,690) = 19485.47,  $p < 0.001$ , RMSEA = 0.05, SRMR = 0.07, CFI = 0.89, TLI = 0.89. Again, the  $\chi^2$  difference test produced a significant loss-of-fit regarding the invariant second-order factor model:  $\chi^2$  (171) = 662.41,  $p < 0.001$ .

Although the result of the  $\chi^2$  difference test implied that the test did not give fully unambiguous support for the invariance assumptions of the tested factor structures, the equal RMSEA, SRMR, CFI, and TLI values for the constrained model in comparison to the freely estimated model yielded support for the invariance assumption. In addition, it is worth noting that the SRMR provided a reasonable fit as regards the constrained second-order factor model (SRMR = 0.07), whereas the fit was poor for the freely estimated second-order factor model (SRMR = 0.11), thus supporting the invariance assumption.

MacCallum et al. (2006) have stated that especially in studies with a large sample size (*N*) and great statistical power, as is the case in this study (*n* = 3,098 in the multi-group model containing all samples), the  $\chi^2$  difference test will always reject the *null* hypothesis. In empirical studies, this inevitably happens because the models are expected to fit exactly the same way regarding the population, although the true difference between the models is actually very small. This leads to favoring the less constrained model and thus rejecting the model that fits quite well. MacCallum et al. (2006) suggest that the “good enough” approach, i.e., RMSEA values of 0.05 or lower, should be followed in estimating the goodness-of-fit of the models. This way, the sample size problem will also be alleviated. In this study, the RMSEA value of the constrained model indicated a close goodness-of-fit of the model and thus supported the factorial group invariance assumption of the eight-factor CEV model.

**Table 4** Estimated standardized validity coefficients (factor loadings) for the 58-item CEV scale per organizational sample

	Sample 1	Sample 2	Sample 3	Sample 4
(a) CLAR	0.76	0.75	0.71	0.59
(b) Item 1	0.73	0.73	0.72	0.73
(b) Item 2	0.75	0.77	0.73	0.73
(b) Item 3	0.79	0.75	0.75	0.77
(b) Item 4	0.77	0.74	0.73	0.77
(b) Item 5	0.75	0.72	0.68	0.68
(b) Item 6	0.75	0.74	0.68	0.77
(b) Item 7	0.70	0.70	0.72	0.66
(b) Item 8	0.85	0.80	0.79	0.82
(b) Item 9	0.74	0.70	0.70	0.74
(b) Item 10	0.83	0.82	0.82	0.85
(a) COSU	0.79	0.79	0.75	0.72
(b) Item 11	0.96	0.94	0.93	0.93
(b) Item 12	0.95	0.92	0.91	0.86
(b) Item 13	0.80	0.80	0.75	0.69
(b) Item 14	0.93	0.93	0.90	0.93
(b) Item 15	0.90	0.90	0.87	0.87
(b) Item 16	0.94	0.94	0.92	0.95
(a) COSM	0.72	0.69	0.61	0.71
(b) Item 17	0.91	0.92	0.89	0.88
(b) Item 18	0.97	0.97	0.96	0.96
(b) Item 19	0.92	0.93	0.92	0.90
(b) Item 20	0.81	0.84	0.81	0.81
(a) FEAS	0.65	0.59	0.48	0.51
(b) Item 21	0.67	0.65	0.65	0.72
(b) Item 22	0.71	0.70	0.72	0.79
(b) Item 23	0.62	0.66	0.66	0.71
(b) Item 24	0.57	0.56	0.59	0.53
(b) Item 25	0.67	0.65	0.70	0.77
(b) Item 26	0.71	0.71	0.71	0.78
(a) SUPP	0.88	0.87	0.82	0.83
(b) Item 27	0.84	0.81	0.82	0.79
(b) Item 28	0.87	0.88	0.85	0.86
(b) Item 29	0.85	0.87	0.83	0.82
(b) Item 30	0.84	0.82	0.75	0.83
(b) Item 31	0.85	0.83	0.82	0.82
(b) Item 32	0.88	0.84	0.81	0.83
(a) TRAN	0.88	0.86	0.83	0.85
(b) Item 33	0.71	0.71	0.67	0.71
(b) Item 34	0.61	0.58	0.56	0.62
(b) Item 35	0.60	0.60	0.57	0.59
(b) Item 36	0.68	0.70	0.65	0.70
(b) Item 37	0.86	0.85	0.82	0.82
(b) Item 38	0.88	0.88	0.86	0.83
(b) Item 39	0.78	0.79	0.77	0.78
(a) DISC	0.94	0.95	0.92	0.94
(b) Item 40	0.87	0.85	0.80	0.82

**Table 4** continued

	Sample 1	Sample 2	Sample 3	Sample 4
(b) Item 41	0.83	0.80	0.78	0.76
(b) Item 42	0.91	0.90	0.89	0.88
(b) Item 43	0.91	0.89	0.87	0.88
(b) Item 44	0.89	0.86	0.85	0.85
(b) Item 45	0.85	0.85	0.83	0.79
(b) Item 46	0.93	0.93	0.89	0.88
(b) Item 47	0.84	0.83	0.79	0.79
(b) Item 48	0.90	0.91	0.89	0.88
(b) Item 49	0.79	0.74	0.73	0.75
(a) SANC	0.91	0.96	0.93	0.94
(b) Item 50	0.58	0.60	0.54	0.50
(b) Item 51	0.80	0.82	0.76	0.73
(b) Item 52	0.76	0.64	0.59	0.81
(b) Item 53	0.82	0.80	0.70	0.79
(b) Item 54	0.82	0.83	0.76	0.81
(b) Item 55	0.64	0.54	0.50	0.62
(b) Item 56	0.63	0.57	0.51	0.64
(b) Item 57	0.81	0.77	0.72	0.78
(b) Item 58	0.73	0.67	0.61	0.72

(a) Second-order factor loadings, (b) first-order factor loadings

Sample 1 administration, urban design and business activities; Sample 2 education and culture; Sample 3 social affairs and health; Sample 4 engineering company

CLAR clarity, COSU congruency of supervisors, COSM congruency of senior management, FEAS feasibility, SUPP supportability, TRAN transparency, DISC discussability, SANC sanctionability

## Descriptive Findings

After studying the factorial validity and invariance of the 58-item CEV scale in regard to the different groups, we studied the differences in evaluations of ethical organizational culture and its virtues. As shown in Table 5, there were statistically significant differences between the organizations in the evaluations of the total Corporate Ethical Virtues (CEV) and of the eight dimensions.

The results showed that the scores for Corporate Ethical Virtues (CEV) and most of its dimensions were lowest in the *engineering company*. Feasibility was evaluated most positively, and the scores of this dimension did not differ from other groups. Congruency of supervisors was also evaluated positively in the *engineering company*, but the scores were statistically lower compared to the other groups. In the *social affairs and health* group, the scores for feasibility and congruency of senior management were low. On the other hand, the scores for supportability, transparency, and discussability were higher than in other groups. In the *administration, urban design, and business activities* group as well as in the *education and culture*

**Table 5** Analyses of variance (ANOVAs) of ethical organizational culture in the organizational samples

	1. Administration, urban design and business activities ( $n = 434$ )	2. Education and culture ( $n = 677$ )	3. Social affairs and health ( $n = 1,719$ )	4. Engineering company ( $n = 268$ )	$F$	Pairwise comparisons <sup>a</sup>
	M (SD)	M (SD)	M (SD)	M (SD)		
CEV	4.3 (0.9)	4.4 (0.8)	4.4 (0.7)	4.0 (0.8)	24.51***	4 < 1,2,3
Clarity	4.8 (0.9)	4.8 (0.9)	4.9 (0.8)	4.1 (0.9)	62.39***	4 < 1,2,3; 1 < 3
Congruency of supervisors	4.7 (1.2)	4.7 (1.2)	4.8 (1.05)	4.4 (1.1)	9.86***	4 < 1,2,3
Congruency of Senior management	4.3 (1.2)	4.3 (1.07)	4.0 (1.1)	4.0 (1.1)	12.38***	4,3 < 1,2
Feasibility	4.5 (0.9)	4.6 (0.9)	4.3 (1.0)	4.4 (1.0)	17.95***	3 < 1,2
Supportability	4.0 (1.3)	4.1 (1.1)	4.2 (1.0)	3.9 (1.0)	7.62***	1,4 < 3
Transparency	3.9 (0.9)	4.0 (0.9)	4.1 (0.9)	3.5 (0.8)	30.79***	4 < 1,2 < 3
Discussability	4.3 (1.1)	4.4 (1.0)	4.5 (1.0)	4.0 (1.0)	22.10***	4 < 1,2,3; 1 < 3
Sanctionability	4.0 (1.0)	4.1 (0.9)	4.1 (0.8)	3.7 (0.9)	19.34***	4 < 1 < 2,3

\*\*\*  $p < 0.001$ <sup>a</sup> Games–Howell comparisons

group, the virtues of clarity and congruency of supervisors were given the highest scores and transparency the lowest. In the total samples (including all organizational samples), clarity received the highest evaluations (except for in the *engineering company*) and transparency the lowest. The overall evaluations of the ethical organizational culture in the organizations were rather high.

## Discussion

The purpose of this study was to examine the factorial validity and group invariance of the 58-item CEV scale (Kaptein 2008). The CEV scale is expected to measure eight virtues: clarity, congruency of supervisors, congruency of senior management, feasibility, supportability, transparency, discussability, and sanctionability. The hypothesized factor structures, i.e., a correlated eight-factor structure and a second-order factor structure (eight factors loading on a general CEV factor), were tested using multi-sample data gathered in public and private sector organizations. This kind of data allowed us to investigate the factorial invariance of the expected factor structures across different samples.

Our findings lent strong support to our hypotheses 1a and 1b: the correlated eight-factor (see Fig. 1a) and second-order factor (see Fig. 1b) structures of the 58-item CEV scale exhibited an acceptable fit to the data in each organizational sample. Thus, the result was in line with previous findings by Kaptein (2008) and Huhtala et al. (2011). The findings revealed that the 58-item CEV scale

can be used to not only examine the eight virtues (correlated eight-factor structure), but also to investigate how ethical the organizational culture in general is evaluated to be (second-order factor structure). Thus, ethical organizational culture can be considered both as a one-dimensional and as an eight-dimensional construct, depending on the research purpose.

The results also strongly support our second hypothesis (H2): the structure of the 58-item CEV scale was found to be invariant across divergent organizational samples. The factor loadings of the constrained eight-factor and second-order factor structures did not vary significantly across samples. The factorial invariance of the 58-item CEV scale has not been tested before, although it is extremely important to insure that groups are compared based on instruments that measure the same construct (Little 1997; Little and Slegers 2005; Schmitt and Kuljanin 2008; Vandenberg and Lance 2000). This study revealed that the structure of the 58-item CEV scale does not vary between samples. The results thus indicated that the participants interpreted the questions and their interrelationships the same way regardless of the organization they were working in. This finding shows that the 58-item CEV scale is a valid measure, which makes it possible to investigate the differences in participants' evaluations of the ethical organizational culture between organizations.

The descriptive results showed that the employees gave quite positive evaluations of the ethical culture of their organization. The virtue of congruency of supervisors was evaluated positively in every organization, which suggests that supervisors were seen as good and important role

models. Clarity was also evaluated most positively in the public sector organizations, which might be partially explained by the more hierarchical organizational structure and clear role and task division. Transparency received the lowest evaluation in every organization, which suggests that the conduct of employees and managers and the consequences of unethical conduct are not perceptible to those who would be able to act upon it (e.g., colleagues, supervisors, subordinates). Nevertheless, compared to the global level, the public sector transparency (in terms of corruption) seems to be at a good level in Finland: according to the annual survey by the Berlin-based organization Transparency International, Finland was perceived to be one of the world's least corrupted countries along with Denmark and New Zealand in 2012 (Transparency International 2012).

The results showed that the evaluations of feasibility (i.e., resources available for ethical behavior) were lower in the social and health care group. This finding is consistent with the general discussion in Finland about there being a lack of personnel and scarce resources in the field of social and health care. It is worth noting that a lower level of experienced feasibility may predict a higher level of burnout and exhaustion (Huhtala et al. 2011). Our results revealed further that most of the evaluations in the engineering company were lower compared to other organizations. The reasons for this can be manifold. For instance, the economic recession and uncertainty in the market, which caused layoffs in the company during the data collection in 2011, may have had an effect on the evaluations. Another reason for the lower evaluations might also be found in the working culture and values of this sector: the private sector is generally thought to be more aggressive and dynamic compared to the public sector. The study by Van Der Wal et al. (2008) comparing private and public sector values, reported that the private sector emphasized values such as profitability and innovativeness, which were absent from the public sector's set of top values. In turn, the values considered to be most important by the public sector were lawfulness, impartiality and incorruptibility, which were absent from the business sector's top values. According to Van Der Wal et al. (2008), these sets of values are also consistent with other observations of crucial public sector values reported in the business ethics literature.

#### Strengths and Limitations

To our knowledge, this study is the first to investigate the factorial invariance of the 58-item CEV scale across different organizational samples. The present study was also the first to examine the factorial validity of the 58-item CEV scale with regard to four different samples where the respondents represented both employees and managers

from their organizations. Moreover, the strengths of this study included the utilization of large and heterogeneous organizational samples.

Regarding limitations of this study, we acknowledge that the investigated groups represent Finnish organizations, and as such the results of this study cannot be generalized regarding other countries. The data were gathered using self-report measures, yielding a response rate of 40.5 %, which raises questions about common method biases as well as selectiveness and representativeness. However, according to Baruch and Holtom (2008), the recommended benchmark for the response rate in organizational studies (where respondents are mostly representatives or executives) is approximately 35–40 %, whereas the recommended response rate for studies investigating individuals' views is around 50 %. From this perspective, our response rate was satisfactory. In addition, it must be noted that the constrained eight-factor structure (parallel factor loadings estimated to be equal between samples) was not superior to the freely estimated model (no constraints between samples). Hence, the objectives for future research should be the establishment of cross-cultural evidence and longitudinal study settings to test the time invariance and structural stability of the scale.

#### Conclusion

To conclude, the results of this study lend support to both the reliability and validity of the structure, as well as to the group invariance of the 58-item CEV scale regardless of sample differences. The results indicated that the construct of the 58-item CEV scale is fundamentally similar with regard to each investigated group. This finding deems the scale usable for researchers, as it can be said that the possible mean differences between groups really are observed and do not result from the structural differences of the scale. This is a significant finding, since the importance of organizations' ethical culture has been increasingly acknowledged in the field of business as well as in business ethics research. Thus, the findings point to an instrument that can be recommended for the use as a tool to measure and examine the ethical culture of organizations, and, in turn, to improve business ethics theory and research.

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## II

### **IS THE ETHICAL CULTURE OF THE ORGANIZATION ASSOCIATED WITH SICKNESS ABSENCE? A MULTILEVEL ANALYSIS IN A PUBLIC SECTOR ORGANIZATION**

by

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## Is the Ethical Culture of the Organization Associated with Sickness Absence? A Multilevel Analysis in a Public Sector Organization

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**Abstract** The main aim of the present study was to examine whether an ethical organizational culture is associated with sickness absence in a Finnish public sector organization at both the individual (within-level) and work unit (between-level) levels. The underlying assumption was that employees working for organizations that are characterized by a strong ethical organizational culture report less sickness absence. The sample consisted of 2192 employees from one public sector city organization that included 246 different work units. Ethical organizational culture was measured with the Corporate Ethical Virtues scale covering eight sub-dimensions. Sickness absence was inquired by asking the participants to report how many days they had been absent from work because of their own sickness over the past year. Multilevel structural equation modelling showed that, at the individual level, perceptions of a strong ethical organizational culture were associated with less sickness absences after controlling for the background factors. This link was not found at the work-unit level. The findings indicate that an ethical organizational culture plays a significant role in enhancing employee well-

being measured as sickness absence. It seems that especially supervisor's ethical role modeling and possibilities to discuss about ethical issues are important factors in preventing sickness absence in the organizations.

**Keywords** Ethical organizational culture · Sickness absence · Multilevel study

### Introduction

The research on ethical organizational culture has focused on studying its connections to predictors of ethical decision-making (e.g., personal values and ethical judgment) and attitudinal and behavioral outcomes (e.g., organizational commitment and trust) (for a review, see Huhtala 2013). Lately, the concept of an ethical organizational culture has been combined with that of employee well-being in terms of ethical strain, burnout, and work engagement (Huhtala 2013; Huhtala et al. 2011, 2014). However, the relationship between ethical culture and sickness absence remains unknown, although many of the psychosocial work characteristics that predict sickness absence (such as poor social support and unclear management) are affected by and manifested through organizational context. Furthermore, Peterson and Wilson (2002) have stated that organizational culture should be the main focus of research when investigating work-related stress that can lead to sickness absence. Therefore, we were interested in whether an ethical organizational culture is associated with less sickness absence in organizations.

An ethical organizational culture comprises not only the deeply held moral values, assumptions, and beliefs that influence ethical attitudes in the work place but also the more observable manifestations of culture, such as

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structures and organizational practices (Treviño et al. 1998). Ethical culture includes many aspects that by definition resemble working conditions that have been found to be related to less sickness absence. For example, there is evidence that low organizational justice (Elovainio et al. 2002, 2005; Kivimäki et al. 2003; Shapira-Lishchinsky and Rosenblatt 2009; Ybema and van den Bos 2010), organizational support (Eisenberger et al. 1986; Eriksen et al. 2003), a supportive leadership and team (Väänänen et al. 2003), and fairness in the organization (Väänänen et al. 2004) are associated with sickness absence, and that an unethical climate (e.g., Shapira-Lishchinsky and Rosenblatt 2009) and ethical conflict (Thorne 2010) are related to more absenteeism inside the organization. This leads us to the question of whether a link can also be found to the broader ethical context of the organization. Although ethical organizational culture partly overlaps with these related concepts all of which characterize the workplace or the organization, as a broader concept it includes versatile insights on the ethical quality of an organization by mapping the different aspects of the culture. For instance, such aspects include *supportability* which refers to fair treatment and mutual trust, *discussability* which enables possibilities to talk about ethical issues, and *congruency of supervisors* which refers to setting an ethical example (Kaptein 2008). To study the connections between ethical organizational culture and sickness absence, we applied the Job Demands–Resources (JD–R) Model (Bakker and Demerouti 2007; Demerouti and Bakker 2011; Demerouti et al. 2001). As we will discuss in more detail later, a virtuous culture can be seen as a resource that promotes well-being and can prevent health impairment in the organization. Since we investigate a culture that consists of shared values, it is important also to study the relationship between shared perceptions of what constitutes an ethical culture and sickness absence (between-level), along with individual perceptions (within-level).

The contribution of our study is, first of all, to expand the research on ethical organizational culture's connections from ethical decision-making, attitudinal, behavioral (for a review, see Huhtala 2013), and employee well-being outcomes (Huhtala et al. 2011), to sickness absence. Second, we utilize multilevel modeling to study the associations between an ethical organizational culture and sickness absence at both the individual (within-level) and work unit (between-level) levels. In other words, we aim to find out whether individual perceptions of the ethical organizational culture are related to individual sickness absence, and whether shared perceptions of the ethical organizational culture are related to sickness absence at the work-unit level. Third, we utilize data on a large hierarchically constructed public sector organization. This enables us to study

employee perceptions not only at the individual level, but also at the work-unit level. In the work units, the organizational culture has most effect on the employees' actions on a daily basis, and it is there that the actual similarities or differences in culture evaluations are most likely to be found. This study is the first to investigate the association between an ethical organizational culture and sickness absence, a probable cause of major costs for organizations.

## Ethical Organizational Culture

An ethical culture incorporates experiences, presumptions, and expectations of how the organization can prevent unethical behavior and promote ethicality (Kaptein 2009). It includes both formal (e.g., codes of ethics) and informal (e.g., peer behavior) systems that can affect ethical conduct in the organization (Treviño and Weaver 2003). In the literature, the ethicality of the work context is often represented by the concepts of an ethical culture (Treviño and Weaver 2003) and an ethical climate (Victor and Cullen 1988) which are seen as strongly related, yet independent (Kaptein 2008, 2011b; Treviño et al. 1998). While the concept of an ethical climate relates to the atmosphere conditions in the organization or work unit, that of an ethical culture can be seen as a deeper and broader construct including the factors that enhance ethical behavior in the organization (Heugens et al. 2006; Kaptein 2011b; Treviño 1990; Treviño and Weaver 2003). In this study, we focus on ethical culture because of its broad and holistic approach, which can be seen as the core of an organization, and thus as having a potential impact on employee well-being outcomes, such as sickness absence.

To investigate the ethicality of the organizational culture, we used the Corporate Ethical Virtues (CEV) model (Kaptein 2008). It originates from the concept of virtue ethics that defines what kind of behavior is seen as morally right and worth pursuing, and that has since been applied to business life (Solomon 1999, 2000, 2004). According to Kaptein (1998, 1999), the virtuousness of an organization can be determined by the extent to which the culture stimulates employees to ethical conduct and prevents them from acting unethically. To measure the ethicality of the organizational culture, we used the 58-item CEV scale (Kaptein 1998, 2008), which is the only normative and multidimensional scale that has been empirically validated (DeBode et al. 2013; Huhtala et al. 2011, 2014; Kangas et al. 2013; Kaptein 2008).

According to the CEV model (Kaptein 2008), an ethical organizational culture comprises eight virtues that promote ethical conduct if their presence in the organization is strong: (1) *Clarity* refers to the extent to which ethical expectations are made concrete and understandable in the

organization; (2) *Congruency of supervisors* and (3) *Congruency of senior management* represent the degree to which managers act as role models, following the organization's ethical standards; (4) *Feasibility* refers to the conditions created by the organization to enable employees to fulfill their responsibilities; (5) *Supportability* is the extent to which the organization provides support for the management and employees to identify with the ethics of the organization; (6) *Transparency* refers to the degree to which the consequences of conduct are visible to everyone in the organization; (7) *Discussability* refers to the opportunities that exist to discuss ethical issues internally; and (8) *Sanctionability* is defined as the extent to which employees believe that wrongdoing is acknowledged and punished, and ethical behavior rewarded.

An ethical culture can be considered as something that group members share or hold in common in a broad sense and thus is similar to the concept of the general organizational culture (Schein 1980, 2004). The ethical culture, including the organization's values and norms, is transmitted through socialization processes between the organization's members (see e.g., Bandura 1986). In an organization that has many employees and sub-units, lack of daily interaction between the units could increase the probability of the development of subcultures (Schein 2004). In these different work units, the members are likely to socialize into their own subculture and have shared perceptions on the common manifestations of the organizational culture, or aspects of it, such as its ethicality, as in this study. However, shared perceptions of ethics in the organizations and work units have been little studied (Wang and Hsieh 2012, 2013), and previous research on the CEV model has also mainly focused on individual evaluations. This study takes into account shared perceptions of the organizational culture within work units. A multilevel study (Huhtala et al. 2014) showed that the more ethical the culture was perceived to be in the organization's work units, the less burnout and more work engagement were reported in them. The present study reports new information on the links between unethical values and sickness absence.

### **Ethical Organizational Culture and Sickness Absence**

To demonstrate the hypothesized relationship between ethical organizational culture and sickness absence, we applied the JD–R model (Demerouti et al. 2001) that has since been extended to the JD–R Theory (Bakker and Demerouti 2014). It classifies all work environments into two general categories: job demands (stressors) and job

resources (health-protecting factors). Job demands, according to the latest definition, refer to the physical, psychological, social, or organizational aspects of the job that require sustained physical and/or psychological effort and are therefore associated with certain physiological and/or psychological costs (Bakker and Demerouti 2014; Demerouti et al. 2001). Job resources, in turn, 'refer to those physical, psychological, social, or organizational aspects of the job that are: (a) functional in achieving work goals; (b) reduce job demands and the associated physiological and psychological costs; or (c) stimulate personal growth, learning, and development' (Bakker and Demerouti 2014, p. 9). These two categories can be seen as the triggers of two independent processes: job demands lead to outcomes like exhaustion and psychosomatic health complaints (e.g., Bakker et al. 2003; Hakanen et al. 2006), whereas job resources generally predict work motivation, enjoyment, and engagement (Bakker et al. 2007, 2010).

In this study, we consider an ethical culture that nurtures virtuous organizational practices as a resource, since it has been found to promote individual well-being (e.g., Huhtala et al. 2011, 2014). An ethical culture includes organizational resources such as adequate time and resources, and social resources, such as support from the organization and supervisors in acting ethically. According to the JD–R model, lack of resources in the external environment eventually leads to a reduction in motivation and to withdrawal behavior (Demerouti et al. 2001). From this perspective, an unethical culture can be seen as a demand and stressor for the employee in terms of, for example, insufficient resources, lack of support from peers and supervisors, and lack of possibilities to discuss ethical issues. If an employee has to operate in an unethical environment and use compensatory strategies to cope with such stressors such as demanding ethical decisions, this can eventually lead to a loss of energy and impaired well-being. Nevertheless, the situation within organizations rarely appears to be this simple: it is possible that the culture is more virtuous in some aspects than others and thus can act at the same time as a demand and a resource. The optimal situation for an organization could possibly be to score relatively high in each virtue, following the golden mean underlined by virtue ethics. It is possible that high standards of ethical conduct set by an organization could eventually appear to its employees as a demand, such as encouraging over-committed workers to work when ill, as reported in some studies (e.g., Hansen and Andersen 2008). Thus, the nature and proportion of the organization's ethical demands and resources may be the key in understanding their relation to employee health.

Previous studies have shown that an ethical organizational culture creates organizational trust (Pucetaite et al.

2010) and commitment (Hunt et al. 1989; Sharma et al. 2009; Treviño et al. 1998; Valentine et al. 2002), which in turn have been found to significantly relate to lower absenteeism (Davey et al. 2009). Studies show that an ethical culture leads to more work engagement, and less burnout and ethical strain (Huhtala et al. 2011, 2014), and that burnout (negatively) and engagement (positively) predict registered sickness duration and frequency (Schaufeli et al. 2009). Huhtala and colleagues (2011) found that if the ethical culture was perceived as deficient, ethical dilemmas were more frequently encountered, which in turn was related to lower employee well-being. It has also been suggested that ethical conflicts are related to a higher rate of absenteeism inside the organization (Thorne 2010). Laaksonen and colleagues (2010) noted that, in particular, short-term sickness absence reflects the organizational culture and norms (via e.g., low job control, poor climate) which shape sickness absence behavior. This leads us to assume that an ethical organizational culture could play a role in diminishing sickness absence. An organization with an ethical culture can furnish its employees with identifiable values and clear ethical norms and expectations, and so support decision-making in morally difficult or stressful situations. This in turn can lead to better employee well-being and thus to fewer absences.

Sickness absence has been previously studied in relation to physical and psychosocial working conditions and other concepts related to an ethical organizational culture. For instance, studies have shown that organizational justice (Elovainio et al. 2002, 2005; Kivimäki et al. 2003; Ybema and van den Bos 2010), supportive culture, leadership (Head et al. 2007) and work group (Eriksen et al. 2003; Väänänen et al. 2003), and fairness in the organization (Väänänen et al. 2004) are related to a lower rate of sickness absence. Furthermore, conditions such as low job control (Bosma et al. 1997; Ishizaki et al. 2006; North et al. 1996; Otsuka et al. 2007; Vahtera et al. 2000), high demands and pressure (Vahtera et al. 2000), low decision-making authority (Christensen et al. 2005; Kivimäki et al. 1997; Melchior et al. 2003), poor social support (Hanebuth et al. 2006; Ishizaki et al. 2006; Melchior et al. 2003; Michie and Williams 2003; Nielsen et al. 2006; Otsuka et al. 2007; Vahtera et al. 2000; Väänänen et al. 2003), unclear management and work roles (Michie and Williams 2003), and psychological demands (Duijts et al. 2007), have been shown to predict sickness absence.

Sickness absence has been examined not only as an individual-level phenomenon, but also as a form of illness behavior that can, for example, through beliefs, values, and practices, lead to absence cultures inside the organization (e.g., Chadwick-Jones et al. 1982; Johns and Nicholson 1982; Rentsch and Steel 2003; Xie and Johns 2000). As self-reported sickness absence can include both voluntary

(unapproved, employee's decision to be absent) and involuntary (approved, beyond the employee's control) absences, the possibility for group and organizational variables as predictors of absence patterns has also to be taken into consideration. There is evidence that work unit-level systemic variables may explain unit-level absence (Xie and Johns 2000), which is why perceptions shared on the unit level should be investigated in addition to individual perceptions. In other words, absenteeism may be socially constructed within work units and across colleagues (Davey et al. 2009). It is thus an intriguing question whether the perceptions of the ethical culture shared inside the work units are in fact associated with work unit-level sickness absence (between-level), or is it the individual's perception (within-level) that is crucial in predicting individual absences, in line with the psychological stress theories, such as the JD-R theory (Bakker and Demerouti 2014).

### The Aims of the Present Study

This study is the first to investigate the potential associations between the ethicality of the organizational culture and sickness absence. Our aim is to ascertain, whether individual employee's perceptions of the organization's ethical culture are associated with their sickness absence days, and whether perceptions of the ethical culture shared within work units are related to work unit-level sickness absence. Based on the findings of previous studies, we propose that the ethical organizational culture can be viewed as a resource that promotes well-being and thus prevents ill-being in the organization.

We formulated our study questions as follows:

- (1) Are individual perceptions of a strong ethical organizational culture (eight virtues) associated with a lower rate of individual sickness absence (individual-level analysis)?
- (2) Are shared perceptions of a strong ethical organizational culture (eight virtues) associated with a lower rate of work unit-level sickness absence (unit-level analysis)?

The theoretical model of an ethical organizational culture comprises eight virtues that represent the overall ethical quality of an organization (Kaptein 2008). These virtues have been found to promote occupational well-being if their presence in the organization is strong (Huhtala 2013; Huhtala et al. 2011). Thus, a strong ethical culture can be regarded as a general indicator of a favorable working environment. On the basis of the literature to date, we assume that employees working for organizations that are characterized by a strong ethical organizational culture report less sickness absence.

## Method

### Data Collection and Participants

The original sample of this study consisted of all members of a Finnish public sector organization ( $n = 8366$ ) comprising four service areas. The service areas were *administrative services, urban design and business activities, education and culture, and social affairs and health*, which altogether included 246 smaller units with two hierarchical levels that are shown in Fig. 1. The multilevel analyses were performed on the level of the smallest unit.

The Internet-based questionnaire study was conducted in May 2011. Of the organization members, 3308 responded to the questionnaire, thus yielding a total response rate of 40 % (3308 of 8366). For further analysis, we included only those respondents who had provided information on the CEV-items and their sickness absences, and whose work unit was known ( $n = 2192$ ).

The background information on the participants is summarized in Table 1. The majority of the investigated participants were women. The majority of the respondents were in the age groups 46–50 and 51–55 years. In the level of education, the largest group had completed either vocational or general three-year schooling (secondary education). More than half of the respondents worked in the service area of social affairs and health.

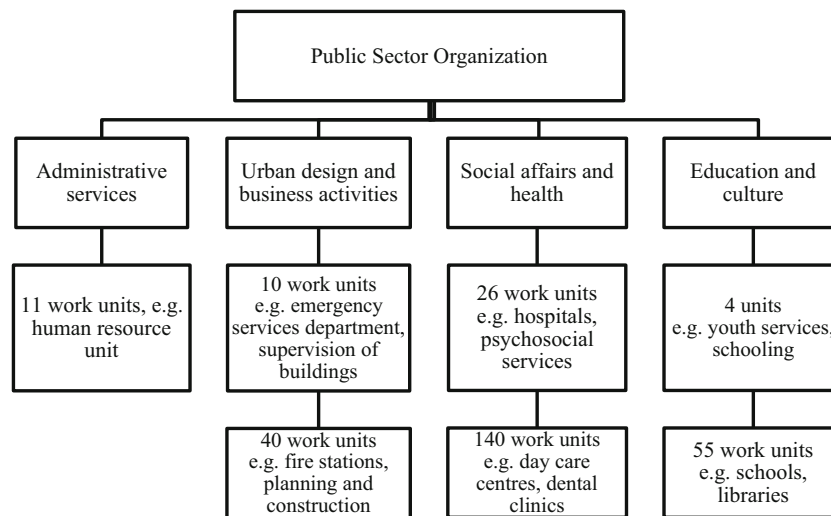
The attrition analysis showed that women were overrepresented ( $\chi^2(1) = 166.81, p < .001$ ) compared to the original sample. From the age categories, under-30 and over-60 age groups were underrepresented, and the 41–50 age group overrepresented ( $\chi^2(4) = 89.29, p < .001$ ) among the respondents. Of the background variables, gender and age were included in the attrition analysis since they were the only variables pertaining to the whole organization.

### Measures

*Sickness absence* was inquired by asking the participants to report how many days they had been absent from work because of their own sickness over the past year. Answers were categorized on a 5-point scale [1 = no sickness absence (23 %), 2 = 1–3 days absence without medical certificate (24 %), 3 = 4–9 days absence (25 %), 4 = 10–23 days absence (19 %), 5 = more than 24 days absence (9 %)] and used as a continuous variable. The single-item question and the categorization of responses were implemented in line with the Work Ability Index developed by the Finnish Institute of Occupational Health (Tuomi et al. 1998).

Ethical organizational culture and its eight virtues were assessed by the 58-item CEV questionnaire (Kaptein 2008). The original Dutch version of the scale was first translated into Finnish and then back into Dutch by two independent authorized translators (see Huhtala 2013; Huhtala et al. 2011). The back translation was revised with minor changes that were approved by the original developer of the questionnaire. The scale consists of eight dimensions: *clarity* (10 items, e.g., “The organization makes it sufficiently clear to me how I should obtain proper authorizations”); *congruency of supervisors* (6 items, e.g., “My supervisor does as he says”); *congruency of senior management* (4 items, e.g., “The conduct of the Board and (senior) management sets a good example in terms of ethical behavior”); *feasibility* (6 items, e.g., “I have insufficient time at my disposal to carry out my tasks responsibly”); *supportability* (6 items, e.g., “In my immediate working environment, an atmosphere of mutual trust prevails”); *transparency* (7 items, e.g., “If a colleague does something which is not permitted, my manager will find out about it”); *discussability* (10 items, e.g., “In my immediate working environment, there is adequate scope to discuss unethical conduct”); and *sanctionability* (9 items, e.g., “In my immediate working environment, ethical conduct is rewarded”). The response scale ranged from 1 (*strongly disagree*) to 6 (*strongly agree*), and negatively worded item scores were reversed. The factorial structure of the 58-item CEV scale has been found to be very good in a Finnish sample of public sector employees (Kangas et al. 2013). The means, standard deviations, and the reliabilities of the CEV scores are reported further in Table 2.

The background variables to be controlled for in the analyses were chosen based on previous research and included age, gender, educational level, and long-term sickness (yes/no). Research has shown that women tend to have sickness absences more commonly than men (Krantz and Ostergren 2002; Laaksonen et al. 2010), but the reason for this may lie, for example, in the work place gender composition (Alexanderson et al. 1994; Laaksonen et al. 2010). Older workers have been found to take sick leave more seldom than younger ones, but their sickness absence periods usually last longer than those of younger employees (Alexanderson 1998; Eshoj et al. 2001; Lund et al. 2007; Marmot et al. 1995). An association between high socioeconomic status and low absence has repeatedly been shown irrespective of the indicator of socioeconomic status used (Alexanderson et al. 1994; Kivimäki et al. 1997; North et al. 1996). However, studies finding no association between these demographic factors and sickness absence have also been reported and some studies suggest that the associations may be dependent on gender (e.g., Blank and Diderichsen 1995; Väänänen et al. 2003).



**Fig. 1** The hierarchical structure of the investigated public sector organization

**Table 1** Background information on the investigated employees

	<i>n</i>	%
Total sample	2192	
Gender		
Male	347	16
Female	1845	84
Age		
–30	237	10
31–40	461	21
41–50	696	32
51–60	678	31
61–	120	6
Education		
Nine-year basic education (comprehensive school)	78	4
Three-year vocational or general education (secondary education)	692	31
Vocational adult education	456	21
Bachelor's degree (university or polytechnic)	441	20
Master's degree (university or polytechnic)	479	22
Licentiate, doctorate	46	2
Long-term sickness		
Yes	346	18
No	1602	82

### Statistical Analyses

Multilevel Structural Equation Modeling technique (ML-SEM; Duncan et al. 1997; Muthén 1997; Snijders and Bosker 1999) was used to investigate both the individual (within-level) and shared (between-level) perceptions of the ethicality of organizational culture and their associations

with sickness absence. These analyses were based on sum squares. The ML-SEM technique takes into account the hierarchical structure of the data, as the individuals are nested within higher levels of classification (work units). The work-unit level (between-level) variation describes the amount of variance in both the ethical culture perceptions and sickness absence due to differences between work units.



The individual-level (within-level) variation describes the amount of variance due to the differences in the work units. Intraclass correlations (ICC; Heck 2001; Muthén 1991) represent the proportion of variance in the outcome that is attributable to the classes (work units), revealing whether statistically significant between-level variation is present. If this variation is found, there is reason to proceed further with the analyses.

The analyses were conducted according to the following procedure. First, we calculated the ICCs for the eight ethical culture dimensions in order to determine what proportion of the variance was explained by the clustering structure, i.e., work unit, of the data. Second, the eight ethical culture sum scores were then used to predict individual (within-level) and work unit (between-level) sickness absence separately. We used three sequential models to see if significant connections between the eight virtues and sickness absence remained after controlling for the background variables. The results were presented as  $\beta$ -values and their 95 % confidence intervals. The analyses were performed separately for each virtue. In the first step (Model 1), only the associations between the specific virtue and sickness absence were studied. In the second step (Model 2), the models were adjusted by demographic factors (gender, age, education). In the third step (Model 3), long-term sickness was included in the previous model.

## Results

### Shared and Individual Perceptions of Ethical Culture

As a preparatory analysis for ML-SEM, we computed ICC to find out if and, if so, to what extent, perceptions of ethical culture and sickness absence were shared within the work units. ICCs and descriptive statistics for the eight virtues and sickness absence are shown in Table 2.

For all eight ethical culture dimensions, the ICCs were significant at the between-level, indicating that 12 %

(feasibility; resources for ethical behavior) to 27 % (supportability; support for ethical behavior) of the variance of the ethical culture construct was explained by the clustering structure (i.e., work unit) of the data. For sickness absence, the intercorrelations were 4 %.

The correlations between all the study variables are presented in Table 3. At the individual level, seven of the eight virtues were negatively correlated with sickness absence, indicating that the higher the evaluations of these virtues were, the fewer the days of sickness absence reported. Only clarity was not significantly related to sickness absence. Of the background factors, education and long-term sickness showed significant correlations with sickness absence; i.e., a lower educational level, and long-term sickness were associated with a higher amount of sickness absence. However, at the work-unit level, only feasibility was negatively correlated with sickness absence. Gender and age also correlated with sickness absence at the work-unit level. Specifically, more sickness absence occurred in the work units that had less resources (e.g., time and knowledge) to act ethically, that consisted predominantly of female workers and in those that had more younger workers.

In the final ML-SEM models, sickness absence was predicted by *individual perceptions of the ethical culture virtues* at the individual level, and by *shared perceptions of the ethical culture virtues* at the work-unit level. The results (see Table 4) showed that after adjustment for background factors, employees' individual (within-level) perceptions of the ethicality of the organizational culture were associated with fewer days of individual sickness absence. That is, the more ethical the employee perceived the organizational culture to be, the less the sickness absence he or she reported. The results for the work-unit level (between-level) showed associations between shared perceptions of *feasibility* and lower rate of sickness absence in the first step, and nearly significant associations ( $p = .056$ ) in the second step, after gender, age, and education had been controlled for. This link was not found after long-term illness was added to the model in the third step.

**Table 2** Intraclass correlations and descriptives for the study variables ( $n = 2192$ , 246 clusters)

Sample	ICC	Min.	Max.	<i>M</i>	SD within	SD between	$\alpha$
Observed sum squares							
Clarity	.15***	1	6	4.90	.87	.32	.92
Congruency of supervisors	.23***	1	6	4.88	.97	.52	.96
Congruency of senior management	.16***	1	6	4.26	1.07	.67	.95
Feasibility	.12***	1	6	4.44	.90	.32	.83
Supportability	.27***	1	6	4.20	.97	.56	.93
Transparency	.17***	1	6	4.11	.91	.60	.96
Discussability	.17***	1	6	4.51	.95	.40	.96
Sanctionability	.13***	1	6	4.17	.90	.31	.88

**Table 3** Intercorrelations of the study variables ( $n = 2192$ ) within-level in the lower diagonal, between-level in the upper diagonal

	1	2	3	4	5	6	7	8	9	10	11	12	13
1. Gender <sup>a</sup>	–	–.11	–.18	.36	.46***	.31***	.15	.09	.43***	.52***	.46***	.48***	.35*
2. Age <sup>b</sup>	–.01	–	.12	.36	.16	.09	.26*	.23	.17	.03	.04	.09	–.51**
3. Education <sup>b</sup>	–.11***	–.09**	–	–.11	–.13	–.06	–.10	.13	.04	–.21*	–.04	.08	–.27
4. Long-term sickness <sup>a</sup>	.01	.11***	–.03	–	–.02	–.13	.32	–.09	–.03	–.07	.03	.06	.36
5. Clarity <sup>b</sup>	.02	.04	–.05*	.05*	–	.71***	.74***	.53***	.81***	.88***	.85***	.86***	.14
6. Congruency of supervisors <sup>b</sup>	–.05*	.04	–.01	–.03	.56***	–	.42***	.42***	.74***	.73***	.82***	.80***	–.02
7. Congruency of senior management <sup>b</sup>	.03	.02	–.06*	–.04	.47***	.53***	–	.70***	.52***	.62***	.58***	.68***	.02
8. Feasibility <sup>b</sup>	.04	.00	–.05*	–.03	.39***	.36***	.38***	–	.54***	.48***	.45***	.59***	–.43**
9. Supportability <sup>b</sup>	–.06*	.07**	–.02	.02	.52***	.60***	.48***	.37***	–	.87***	.93***	.94***	–.00
10. Transparency <sup>b</sup>	–.04	.07**	–.04	.03	.49***	.49***	.42***	.30***	.61***	–	.92***	.89***	.30
11. Discussability <sup>b</sup>	–.07**	.04	–.00	–.02	.57***	.67***	.49***	.39***	.75***	.67***	–	.95***	.22
12. Sanctionability <sup>b</sup>	–.05	–.04	.04	–.02	.49***	.61***	.51***	.35***	.64***	.64***	.74***	–	.11
13. Sickness absence <sup>a</sup>	.04	–.00	–.11***	.22***	–.01	–.11***	–.08**	–.05*	–.07**	–.04*	–.10***	–.08**	–

1 Gender (0 male, 1 female). 2 Age (1 < 25, 2 26–30, 3 31–35, 4 36–40, 5 41–45, 6 46–50, 7 51–55, 8 56–60, 9 > 61). 3 Education (1 nine-year basic education, 2 three-year vocational or general education, 3 vocational adult education, 4 = bachelor's degree, 5 master's degree, 6 licentiate, doctorate). 4 Long-term sickness (0 no, 1 yes)

<sup>a</sup> Spearman correlation

<sup>b</sup> Pearson correlation

\*  $p < .05$ ; \*\*  $p < .01$ ; \*\*\*  $p < .001$

**Table 4** Results of the multilevel models ( $\beta$ -values and 95 % confidence intervals)

Corporate Ethical Virtues	Sickness absence					
	Model 1		Model 2		Model 3	
	$\beta$	CI	$\beta$	CI	$\beta$	CI
<b>Within-level</b>						
Clarity	-.01	-.07 to .04	-.02	-.07 to .03	-.03	-.08 to .02
Congruency of supervisors	-.11**	-.16 to -.06	-.11***	-.15 to -.06	-.11***	-.16 to -.06
Congruency of senior management	-.08**	-.14 to -.04	-.19***	-.13 to -.04	-.08**	-.13 to -.03
Feasibility	-.06*	-.15 to -.02	-.07**	-.11 to -.02	-.06**	-.10 to -.02
Supportability	-.08**	-.13 to -.03	-.08**	-.13 to -.03	-.08**	-.13 to -.03
Transparency	-.05*	-.09 to -.01	-.05*	-.09 to -.01	-.05*	-.10 to -.01
Discussability	-.10***	-.15 to -.05	-.10***	-.15 to -.05	-.10***	-.15 to -.05
Sanctionability	-.09**	-.21 to -.06	-.08**	-.20 to -.05	-.09**	-.13 to -.04
<b>Between-level</b>						
Clarity	.15	-.12 to .42	.13	-.25 to .50	.52	-.08 to .40
Congruency of supervisors	-.01	-.28 to .26	-.07	-.32 to -.19	-.03	-.28 to .22
Congruency of senior management	.00	-.31 to .31	.01	-.30 to .26	.00	-.29 to .29
Feasibility	-.39*	-.54 to -.01	-.33	-.66 to .00	-.28	-.59 to .04
Supportability	-.03	-.26 to .33	-.02	-.33 to .24	.01	-.28 to .30
Transparency	.25	-.09 to .59	.23	-.11 to .51	.22	-.07 to .52
Discussability	.29	-.00 to .59	.19	-.12 to .51	.19	-.10 to .49
Sanctionability	.18	-.12 to .39	.07	-.20 to .33	.08	-.24 to .40

Model 1: adjusted for the virtue; Model 2: adjusted for the virtue and demographic factors (age, gender, education); Model 3: adjusted for the virtue, demographic factors and long-term sickness

\*  $p < .05$ ; \*\*  $p < .01$ ; \*\*\*  $p < .001$

Closer examination of individuals' perceptions showed that all the virtues, except for clarity, were significantly associated with sickness absence. That is, the stronger the presence of the virtues of congruency of supervisors, congruency of senior management, feasibility, supportability, transparency, discussability, and sanctionability, the less the amount of sickness absence reported. The significant associations with these seven virtues and sickness absence remained even after adjusting the models with demographic background factors and long-term sickness. Adjustment for long-term sickness caused only minor, or no changes in the  $\beta$ -values and confidence intervals.

## Discussion

The present study examined whether the ethicality of an organizational culture, assessed according to eight corporate virtues, was associated with less sickness absence at the individual (within-level) and work unit (between-level) levels among employees working in a public sector organization. The main findings of this study were, first, that high *individual perceptions* of the ethical culture virtues

were associated with less sickness absence after controlling for the background variables. Specifically, the stronger the employees perceived the presence of congruency of supervisors, congruency of senior management, feasibility, supportability, transparency, discussability, and sanctionability to be, the less the sickness absence they reported. These connections are considered in more detail below. This study also found that shared perceptions of the ethical culture's virtues were not associated with sickness absence at the work-unit level after the background factors were controlled for.

The ICC showed that ethical organizational culture perceptions were somewhat shared within the work units. However, differences in evaluations appeared due to individual experiences independent of the work community. 12–27 % of the variances of ethical culture's virtues and 4 % of sickness absence were explained by the work unit. The reason for somewhat low shared perceptions for feasibility (12 %) might be explained by its more objective nature, as it includes, for example, time and resources that are not socially constructed elements. Supportability (27 % shared) on the other hand, which emphasizes mutual trust and support within the work community, is an element that

is created in the interaction between employees. Another moderately shared virtue, congruency of supervisors in ethical role modeling (23 % shared), can be evaluated somewhat similarly since employees in the same work unit likely evaluate the same supervisor. A relatively small proportion, 4 percent, of the variance of sickness absence was explained by the work unit. This finding suggests that sickness absence appears to be a more of an individual-level outcome that can result from many factors, also ones that are not work related. Our results did not give support for the existence of absence cultures inside the organization, contradictory to some previous studies (e.g., Rentsch and Steel 2003).

### Individual-Level Connections Between Ethical Organizational Culture and Sickness Absence

Closer examination of the connections between ethical culture's virtues and sickness absence at the individual level showed that, first of all, supervisor's ethical role modeling (*congruency of supervisors*) had the strongest association with sickness absence. This virtue emphasizes the role of leadership and setting an ethical example within the organization. The finding is in line with many previous studies indicating that supervisor's role is very important in affecting employee's well-being and absence (e.g., Nielsen et al. 2006; Higgins et al. 2012), and that leader's support (Väänänen et al. 2003) and organizational justice in terms of supervisor's role (Elovainio et al. 2002, 2005; Kivimäki et al. 2003) is associated with sickness absence. According to our results and in line with JD-R theory (Bakker and Demerouti 2014), an ethically behaving supervisor could act as a resource to the employee and diminish moral distress in difficult situations, which in turn can lead to better well-being and less absenteeism or sick leave. *Congruency of senior management* was less strongly associated with sickness absence than supervisor's ethical role modeling. The cause for this might be, for instance, that top management can be seen distant from the perspective of employees, especially in larger organizations. However, Higgins et al. (2012) found that the level of support for interventions from top management and the level of financial and organizational investment in the management of long-term sickness absence were associated with long-term sickness absence. This finding especially underlines the role of top management as a starting point to developmental processes within the organization.

The virtue of *supportability* that supports employees and managers to meet normative expectations, was found to associate with sickness absence in the present study: supportability can be seen as a resource that creates trust and commitment, as well as enhances motivation, satisfaction, and affection to the organization (Kaptein 2008, 2011b).

Similarly, co-workers' support (Väänänen et al. 2003) and supportive and fair culture in general (Eriksen et al. 2003; Väänänen et al. 2004) have been found to associate with sickness absence in previous studies. Possibilities to *discuss* about ethical issues and dilemmas are important; if moral issues are not openly discussed, ethical issues can be left unnoticed (Bird and Waters 1989). This "moral muteness" can induce higher levels of moral stress, which in turn can eventually lead to absence. *Sanctionability*, the reinforcement of ethical behavior, has been found to be an important part of ethical culture (Kaptein 1998, 2008). Previous studies have shown that rewarding from ethical behavior leads to less violations (Román and Munuera 2005) and failing to do so has led to unethical behavior (Kaptein 1998). Sanctionability can to some extent represent the perceptions of fairness that have been found to relate to sickness absence (Väänänen et al. 2004): if everyone is treated the same way and encouraged to behave ethically, many positive outcomes, such as less absences, can emerge. Also our results support this finding. In addition, *transparency* that refers to the visibility of (un)ethical behavior and its consequences, was, although not very strongly, associated with less sickness absence.

Finally, sickness absence was found to associate also with the virtue of *feasibility*, which refers to resources available for ethical actions, such as sufficient time, equipment, financial resources, and information, as well as personal authority to act according to the ethical expectations (Kaptein 2008, 2011b). However, the association was, along with *transparency*, the weakest of the virtues, although previous studies have shown, for example, that time pressure and insufficient resources can impact on the risk of sickness absence (e.g., Aronsson and Gustafsson 2005; Kivimäki et al. 1997). Huhtala (2013) also found in their study that feasibility formed a specific factor that had a significant association with burnout and exhaustion. Nevertheless, it seems that although feasibility is important factor regarding sickness absence, other virtues, such as congruency and supervisors, remain the most crucial ones in preventing absences in the organizations on the basis of these study findings.

*Clarity* was the only virtue that did not have a significant association with sickness absence. Perhaps the virtue of clarity, including for example concrete and understandable ethical standards, is more abstract in employee's daily work environment and as such do not act as an ethical demand or resource to the employee. It may also be that although employees would perceive the rules regarding ethical conduct as concrete and understandable, this knowledge does not make a difference in employees' sickness absence days. Instead, supervisor's role modeling and possibilities to discuss about ethical issues are more present in employee's work communities where they operate every day.

### **The Association Between Ethical Organizational Culture and Sickness Absence at the Work-Unit Level**

The work-unit level analysis revealed that the (partly) shared perceptions of ethical organizational culture were not associated with work-unit level sickness absence after controlling for the background factors. In fact, the results revealed that individual perceptions explained sickness absence occurrence more. Elovainio et al. (2004) also made a similar finding to the one made in the present study: organizational justice was associated with sickness absence at the individual level but not at the work-unit level. On the other hand, Huhtala et al. (2014) showed a link between shared culture and shared experiences of burnout: unethical culture can lead to subcultures where employees are more prone to feeling exhausted and burned out. However, regarding sickness absence it may be that, first of all, it appears as more of an individual than a shared phenomenon. It is possible that the individual experience of the virtues is essential in affecting individual health: the conflict between individual resources and organizational demands causes stress, which in turn can lead to sickness absence. This finding is in line with psychological stress theories that emphasize the importance of individual's perceptions as an intervening process between the environment and individual reactions (Lazarus and Folkman 1984): according to JD-R theory (Bakker and Demerouti 2014), the job demands and resources are evaluated differently, and also the reactions to them depend on the individual and situational factors.

The findings indicate that an ethical organizational culture, among other psychosocial work factors, plays a significant role in enhancing employee well-being measured as sickness absence. The mechanisms through which an unethical culture leads to an individual taking sick leave are manifold, and can include, for example, conflict between organizational values, imbalance between demands and resources, interpretation of the situation at hand, and the personality of the individual. Although employees may perceive the ethical culture in their work unit somewhat similarly, this does not necessarily lead to absenteeism at the work-unit level, but can dispose some individuals to take sick leave. However, it is important to pay attention to individuals in the work group, since they are ultimately those ones who together form the teams and, in the long run, subcultures in the workplace. In an organization where ethical practices are nurtured, employees can identify to organization's values more easily (Andrews et al. 2011) and experience less ethical strain (Huhtala et al. 2011) and moral stress (Wyld and Jones 1997). Ethical culture also provides clear norms and expectations to the employees about how they should act in terms of ethics. In an ideal

situation, ethical organizational culture supports decision-making in morally difficult or stressful situations, and this way acts as a resource and possibly as a protecting factor against sickness absence and absenteeism in general.

### **Limitations and Future Directions**

There are some limitations in this study that should be noted. First, the information for this study was gathered through self-report questionnaires, which increases the risk of receiving biased sickness absence information, since it is possible that participants do not remember the exact amount of their sickness absence from the previous year. However, Ferrie et al. (2005) found that the associations between the annual number of self-reported sickness absence and health were as strong as the connections between the annual number of recorded sickness absence days and health in both sexes. It may also be that the participants who reported more sickness absences, are prone to exaggerate their evaluations of the ethical culture toward negative direction. Vice versa, the ones with fewer absences would evaluate the culture as more ethical: the cross-sectional study setting does not provide information about the causality of the phenomena. The possibility of common method variance is present when data are collected from one source; although we cannot entirely rule out this impact, it is possible to reduce possibly illusory answers (see Podsakoff et al. 2003). In our study, we used measures that had different scale anchors (likert scale for the ethical culture, open-ended question for the sickness absence days), used group assessments, and presented the measures used in different pages. The 58-item CEV scale that we used has also been shown to have good psychometric properties. Second, our study focused on a Finnish public sector organization where females and older employees were overrepresented, which makes it problematic to generalize the results as such to the whole organization or other types of companies. Third, we did not investigate the reasons behind sickness absence, nor did we pay special attention to the absence duration. Some studies have pointed out that conscientious employees might in fact be the ones not taking sick leave, but working while they are ill (Hansen and Andersen 2008). The topic of ethical organizational culture may have also had an influence to the selectivity of the respondents, so that the ones who are interested in ethical topics, or controversially the ones who have something to criticize about, have participated in the study.

For future studies, longitudinal study setting should be used to investigate the relationship between organizational virtues and sickness absence, and the possible mediating or moderating factors between them. For instance, ethical

conflict (a lack of fit between the values of an individual and organization) could be used as a mediator in studying the relationship between ethical culture and sickness absence, as it already has been found to result in stress and absenteeism (Thorne 2010). The use of objective measures in addition to self-reports would enrich the understanding of the relationship between ethical culture and sickness absence. It would be important to distinguish how many employees are absent from work from other reasons than sickness, and what is the role of individual characteristics and values in the process. It would also be justified to examine the link between ethical organizational context and other withdrawal symptoms, such as employee turnover and reasons related to it; it has already been shown that ethical culture is related to less turnover intentions (Pihlajasaari et al. 2014). Furthermore, it may be that employee health and the ethical culture inside the work units influence each other mutually over time, which implies that the culture is dynamic and thus changeable. The effect of change in ethical culture on sickness absence occurrence in general would be an important future study topic: perhaps an intervention for enhancing ethical virtues in the organization could shed some light on the relationship between these two concepts.

## Conclusion

This study is the first one to investigate ethical organizational culture's connections to sickness absence both at the individual and work-unit level. The results of this study make a contribution to the ethical organizational culture theory by investigating its connections to sickness absence: majority of the virtues that are included in an ethical organizational culture relate to less sickness absence. It seems that for the organizations, it would be profitable to invest among all in good supervisory work and possibilities to discuss about ethical issues. Through supervisory work, also supportiveness within the work units could be enhanced, and sanctions and rewards for (un)ethical conduct implemented. As the present study pointed out, it is the individual perception of ethical culture that affects individual sickness absence; supervisor's role stands out in showing an example for employees and supporting them to deal with the ethical dilemmas they face. It is, however, the decision of top management to invest in developing the organization's culture toward an ethical one. By nurturing responsible and ethical business practices, organizations do profit not only from fewer absences financially, but also create a better ground for many fruitful employee well-being outcomes.

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### **III**

## **WHY DO MANAGERS LEAVE THEIR ORGANIZATION? INVESTIGATING THE ROLE OF ETHICAL ORGANIZATIONAL CULTURE IN MANAGERIAL TURNOVER**

by

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## Why Do Managers Leave Their Organization? Investigating the Role of Ethical Organizational Culture in Managerial Turnover

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**Abstract** The aim of the present longitudinal study was to quantitatively examine whether an ethical organizational culture predicts turnover among managers. To complement the quantitative results, a further important aim was to examine the self-reported reasons behind manager turnover, and the associations of ethical organizational culture with these reasons. The participants were Finnish managers working in technical and commercial fields. Logistic regression analyses indicated that, of the eight virtues investigated, congruency of supervisors, congruency of senior management, discussability, and sanctionability were negatively related to manager turnover. The results also revealed that the turnover group is not homogeneous, and that there are several different reasons for leaving. The reasons given for turnover were grouped into five different

categories: (1) lay-off, (2) career challenges, (3) dissatisfaction with the job or organization, (4) organizational change, and (5) decreased well-being/motivation. ANCOVA analyses showed that those managers who stayed in their organization perceived their ethical culture to be stronger than those in turnover groups, and especially compared to groups 3 and 5. The results acquired through different methods complemented and confirmed each other, showing that by nurturing ethical virtues an organization can decrease job changes and encourage managers and supervisors to want to remain in their organization.

**Keywords** Managers · Job change · Turnover · Ethical culture · Corporate ethical virtues

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### Introduction

Employee turnover and its antecedents have been popular topics in research over the decades (see, e.g., Griffeth et al. 2000; Hom and Kinicki 2001), but managers' departure from an organization and especially the reasons leading up to it have been much less studied. There is a gap in research especially in terms of longitudinal studies on actual job change among managers, although the consequences of managers exiting an organization may be particularly significant. The costs of turnover are considerable for organizations (Moynihan and Pandey 2008; Simmons 2008), particularly in terms of search and recruitment as well as company performance (Shaw et al. 2005). Turnover among managers may create uncertainty among employees and their beliefs about the future of the organization (Klotz and Zimmerman 2015), and replacing a manager may be difficult and time-consuming. As one of the most

powerful sources of long-term competitive advantage lies in human and social capital (Becker et al. 2001; Pfeffer 1995), the departure of managers may endanger inter-organizational relationships and cause a loss in firm-specific human capital (Furtado and Karan 1990), as well as having negative effects on organizational performance (Hill 2009). Therefore, more research on managerial turnover is needed.

In such scarce research as there is into manager turnover, a few antecedents have been investigated, including organizational commitment (e.g., Carbery et al. 2003; Udo et al. 1997; Rosin and Korabik 1995) and job satisfaction (Carbery et al. 2003; Rosin and Korabik 1995; Vidal et al. 2007) which have mainly been studied in cross-sectional settings and in terms of turnover intention. The role of ethical organizational culture has remained largely unexplored in managers' job change decisions, which is remarkable, since the organization's ethical culture may well be one of the key elements in keeping valuable managers in the organization. Ethical organizational culture supports managers' well-being (Huhtala et al. 2011, 2015) and it is associated with less sickness absences (Kangas et al. 2015), more organizational trust (Pučetaitė et al. 2015), and commitment to the organization (Huhtala and Feldt 2016). Unethical culture, on the other hand, has been shown to increase managers' probability of having work goals related to changing jobs or giving up their career (Huhtala et al. 2013). These findings show that there is reason to assume that an ethical organizational culture would play a role in reducing manager turnover.

To verify the nature of the associations and possible causality between ethical culture and manager turnover, longitudinal research is needed to establish ethical culture as a predictor of later job changes. In the present 4-year longitudinal study, the actual turnover among more than 450 Finnish managers in the context of ethical organizational culture will be examined. This is the first study to investigate the self-reported reasons leading to managers' job changes, and the virtues of ethical culture associated with those reasons. The study of reasons managers give for leaving an organization can provide deeper insight into what leads to the decision to exit the organization. By combining quantitative data with open-ended questions and using a longitudinal design, it is possible to gain a more comprehensive understanding of the phenomena and the causal associations between them, possibly to better comprehend and prevent job changes in organizations. The role of ethical organizational culture as an antecedent of manager turnover may be crucial, since an organization nurturing ethical values can be seen as a favorable working environment, supporting, for example, well-being and commitment to the organization.

## Theory and Hypotheses

### *Ethical Organizational Culture*

An ethical organizational culture is the ethical quality of a work environment, incorporating the experiences, presumptions, and expectations of the organization's members as to how the organization can prevent unethical behavior and encourage ethicality (Kaptein 2009). Ethical culture promotes organizational virtues and consists of the shared values, norms, and beliefs provided to the organization's members (Kaptein 2008; Treviño and Weaver 2003). In the literature, the concepts of ethical culture (Treviño 1990) and ethical climate (e.g., Victor and Cullen 1988) are seen as strongly related, but independent (Kaptein 2008, 2011; Treviño et al. 1998; Treviño and Weaver 2003). Whereas ethical climate relates to the atmosphere and conditions in the organization or work unit and defines the perceptions of the organization's members about what is ethical behavior (Heugens et al. 2006; Treviño and Weaver 2003), ethical culture can be seen as a deeper and broader construct that includes the factors that guide compliance with the ethical expectations and enhance ethical behavior in the organization (Kaptein 2011; Treviño 1990).

To date, the most extensively tested model of ethical culture is the CEV model developed by Kaptein (2008). It is based on virtue ethics, which defines the morally right, virtuous way of behaving. Virtue ethics has its roots in the Aristotelian approach, which was incorporated into business ethics by Solomon (1999, 2000, 2004). At the organizational level, virtuousness can be seen from the way in which the culture encourages employees to act ethically and prevents their unethical behavior (Kaptein 1998, 1999). However, as Kaptein (2015) recently noted, corporate virtues lie, in fact, mid-way between two vices: unethical behavior can occur both when the virtue is absent and when it is present to excess. Therefore, organizations should find a balance and avoid either extreme. Virtuousness in organizations has been found to have positive effects, such as creating self-reinforcing positive spirals, and strengthening and protecting organizations from traumas such as downsizing (Cameron et al. 2004).

According to the CEV model, an ethical organizational culture includes eight virtues that promote ethical conduct if their presence in the organization is strong. In the present study, these virtues will be used to represent the ethical culture as a whole: (1) *Clarity* refers to the extent to which ethical expectations are made concrete and understandable in the organization; (2) *Congruency of supervisors* and (3) *Congruency of senior management* represent the degree to which managers act as role models, following the organization's ethical standards; (4) *Feasibility* refers to the conditions created by the organization to enable employees

to fulfill their responsibilities; (5) *Supportability* refers to the extent to which the organization provides support for management and employees to identify with the ethics of the organization; (6) *Transparency* refers to the degree to which the consequences of conduct are visible to everyone in the organization; (7) *Discussability* stands for the opportunities that exist to discuss ethical issues internally; and (8) *Sanctionability* is defined as the extent to which employees believe that wrongdoing is acknowledged and punished, and ethical behavior rewarded.

#### Manager Turnover

Classic studies of managerial turnover largely depended on measuring organization-level variables, such as size, organizational demography, and performance (Grusky 1961; Harrison et al. 1988; Wagner et al. 1984), whereas other, “softer” aspects of work remained uncharted. Later, some studies have shown that, for example, managers’ job satisfaction (Carbery et al. 2003; Rosin and Korabik 1995; Vidal et al. 2007) and organizational commitment (e.g., Carbery et al. 2003; Udo et al. 1997; Rosin and Korabik 1995), which have been the two most studied antecedents of turnover, are associated with fewer turnover intentions. Even though it is known that managerial turnover can have a negative impact on an organization’s vitality (Furtado and Karan 1990) and performance (Hill 2009), and despite many calls for additional research on the antecedents of actual turnover among managers (Hambrick et al. 2005; Lee and Ashforth 1993), most research has focused on turnover intentions, and among lower-level employees. Moreover, a clear shortage in research has been the lack of longitudinal settings, since most of the studies examining turnover have in fact been cross-sectional and studied turnover intention.

Studies on the reasons managers themselves have reported for their turnover are scarce. Particularly qualitative research is lacking, except for two studies. The first study that examined reasons for turnover showed that among hotel general managers ( $n = 52$ ), the most commonly cited reason for turnover was a conflict between the manager and the owner of the property (Birdir 2002). In the second study, which included 238 male and 303 female managers, a 17-item survey on turnover reasons was generated following pilot sample interviews (Rosin and Korabik 1995). Factor analyses revealed that there were two dimensions characterizing turnover: work reasons (e.g., lack of opportunity, long hours, office politics) and family reasons (e.g., work–family conflict), but neither of them were significantly associated with turnover. However, these studies had their limitations: either they were conducted over 20 years ago or had a very small sample size

and lacked a theoretical framework. Since then, working life has changed and ethical and moral questions have become more visible and discussed. Especially, the ways in which the organization operates and the set of values it follows have become essential for individuals seeking jobs. Regardless of these developments, more detailed qualitative information on the reasons managers give for their job change remains unclear, and especially in relation to the ethical organizational culture, which represents organization’s values.

In examining the reasons for changing or leaving an organization, “push” and “pull” motivators have been exploited (e.g., DeHoog and Whitaker 1990; Lee and Mitchell 1994; Preenen et al. 2011). In fact, most turnover research has concentrated on “push” motivators (e.g., attitudes toward the current organization), whereas less attention has been paid to “pull” factors that refer to attraction from outside the organization (e.g., job offers). Push-motivated quitting has been defined as a movement away from one’s job as a consequence of an imbalance between the perceived costs and benefits of staying (March and Simon 1958). In a study of turnover among city managers, for instance, push factors were seen to derive from political conflict or differences in style, orientation, or policy between managers and their municipal councils (McCabe et al. 2008). Sometimes, managers themselves can choose to resign when they face pressure; studies have shown that, for instance, breaches in the psychological contract (Carbery et al. 2003; Collins 2010; Shahnawaz and Goswami 2011), possible barriers to career advancement (Rosin and Korabik 1995), and high levels of role conflict (Good et al. 1988) may lead managers to leave their organization even though they would not have a new job available. Pull-motivated quitting, on the other hand, may induce managers to look for new positions not because of dissatisfaction with the current organization, but because attractive financial, personal, or professional career advancement possibilities opened up to them (DeHoog and Whitaker 1990; Mowday et al. 1982).

In the present study, it is argued that ethical organizational culture creates a good basis for attracting and keeping managers in their organizations. It is proposed that push-motivated job changers gave more negative evaluations to the previous organization’s ethical culture compared to pull-motivated job changers. Pull-motivated change of jobs is not expected to associate with previous perceptions of the organization’s ethical culture. Moreover, the expectation was that those managers who had stayed in one organization during the study period would perceive their organization’s ethical culture as stronger than those managers who had changed their jobs because of push motivators.

*Ethical Culture and Turnover: Explaining Their Links with Person–Organization Fit and Psychological Contract Theory*

An ethical organizational culture can be seen as a favorable working environment that creates a good basis for attracting and keeping employees and managers in the organization. To explain the process of how an ethical organizational culture might influence manager turnover, the theories of *psychological contract* and *P–O fit* can be used. A psychological contract is defined as “an individual’s belief regarding the terms and conditions of a reciprocal exchange agreement between that focal person and another party” (Robinson and Rousseau 1994, p. 246). The theory is rooted in social exchange theory (Blau 1964). It has been studied mainly from the perspective of employees who have perceived a breaching of the psychological contract or the failure to fulfill it (e.g., Guest 2004; Robinson and Rousseau 1994; Sturges et al. 2005). A violation of the psychological contract has been shown to relate to job dissatisfaction, lowered professional commitment (Suazo et al. 2005), absenteeism (Deery et al. 2006; Johnson and O’Leary-Kelly 2003; Sturges et al. 2005), and turnover intention among both employees (Suazo et al. 2005; Sturges et al. 2005; Carbery et al. 2003) and managers (Shahnawaz and Goswami 2011).

Sims (1991) has proposed that organizations can enhance the institutionalization of ethics into their daily conduct by managing psychological contracts and creating and nurturing an ethically oriented organizational culture. However, small but significant differences in expectations between the organization and its employees’ psychological contract can cause mismatches in ethical conduct. According to Sims (1991), the clarification of ethical issues in the psychological contract can contribute to building a strong ethical organizational culture, which in turn has been found to relate to fewer turnover intentions (e.g., Pettijohn et al. 2008; Valentine et al. 2011). In addition, ethical culture (Andrews et al. 2011) and ethical values have been shown to actually strengthen the psychological contract by improving social exchanges within an organization (O’Donohue and Nelson 2009; Rousseau 1995; Sims 1991; Valentine et al. 2002). Interviews with managers with turnover intentions have revealed that managers with intent to leave were disappointed at the unfulfilled commitments made in the recruiting phase, while they perceived that they themselves had honored their responsibilities (Collins 2010). Thus, a breach in the psychological contract that took the form of non-transparent and unethical conduct was found to relate to turnover intention. Based on the reasoning above, we assume that an ethical organizational culture can contribute to the fulfillment of the psychological contract and reduce turnover among managers.

*Person–organization fit* (P–O fit) refers to the relationships individuals and organizations have. P–O fit has many

forms, one of which is congruency between the individual’s own and the organization’s values (Chatman 1989, 1991; O’Reilly et al. 1991; Kristof 1996). A fit between person and organization increases employees’ commitment and reduces turnover intentions (e.g., Cable and Judge 1996; Chatman 1991). The P–O fit can also be extended to, for instance, a person–people fit, the fit between employees and employers, and to the value alignment between colleagues, all of which play a role in turnover decisions (Kristof 1996; Vianen 2000). Coldwell et al. (2008) assume, following P–O fit theory, that individual perceptions of ethical organizational fit depend on their perceptions of the organization’s ethics and reputation. They propose that an organization’s ethical orientation and reputation impact significantly on the employees’ sense of P–O ethical fit, and this in turn affects both their feelings of overall satisfaction with the organization and their retention (Coldwell et al. 2008). A fit between an employee’s individual ethical orientation and the organizational ethics reinforces positive attitudes and behaviors in the organization. A few studies have found that a misfit between personal and organizational values creates ethical conflict, which might lead to turnover (Schwepker 1999; Thorne 2010). In a recent study, ethical culture was found to relate to fewer turnover intentions as well as better P–O fit, which in turn partially mediated the connection between ethical culture and employee outcomes (Ruiz-Palomino et al. 2013). Thus, it is probable that managers are more likely to choose to stay in organizations that have an ethical culture than in those that uphold unethical values.

### The Aims of the Present Study

The first aim of this study is to quantitatively investigate whether ethical organizational culture predicts managers’ job changes. Another aim is to examine what kind of reasons managers have retrospectively given for their first change of jobs, and whether the virtues of an ethical organizational culture are associated with these reasons. We suggest that those managers who have more negative perceptions of their organization’s ethical culture will name reasons for changing their job that are related to push motivators, i.e., to conflicts or differences between the managers and their organization. Managers may also give reasons related to pull factors, i.e., reasons related to seeking career development and new challenges, which are less likely to be strongly associated with ethical organizational culture. In this study, the multidimensional CEV model is utilized to study ethical organizational culture. The advantage of this model is that it provides us a more detailed understanding of which virtues of ethical culture are most important in preventing managerial turnover and are related to the reasons for changing of jobs. In addition,

since this study includes both open-ended and closed questions about manager turnover, information about the same phenomenon can be gained from different perspectives. Based on the aforementioned reasoning, the following hypotheses were formulated:

**H<sub>1</sub>** An ethical organizational culture predicts manager turnover.

**H<sub>2</sub>** An organizational culture that is perceived as less ethical is associated with turnover reasons related to organizational “push” factors.

## Method

### Data Collection

To gather the data for the present study, we chose a four-year three-wave approach. The data were collected in multiple waves because this allows us to study the changes in variables from one period to another (Menard 1991) as well as connections between events that are separated in time (Hakim 1987). The data were collected in three time points: 2009 (T1), 2011 (T2), and 2013 (T3). The 2-year time frame between the studies was chosen since adequate time is needed for actual turnover to occur, and for the study of its possible antecedents. The original sample of managers working in technical and commercial fields ( $N = 3000$ ) was randomly selected from the membership registers of two Finnish national labor unions (The Finnish Association of Business School Graduates,  $n = 1500$ , and The Finnish Association of Graduate Engineers,  $n = 1500$ ). According to statistics presented by Ahtiainen (2011), 67 % of employees in Finland in 2009 were part of a labor union organized according to industry, which is why our sample is relatively representative of Finnish managers graduated from business and engineering schools.

In 2009 (T1), the questionnaire was posted to 3000 members of these two unions, of whom 369 returned an uncompleted questionnaire because they were not included in the target group (e.g., did not work in a managerial position, were unemployed, or had retired). Altogether, 902 managers returned a filled-out questionnaire, a response rate of 34 % after removing those 369 empty forms from the original sample (for more detailed background information, see Huhtala et al. 2011). The majority of respondents were men (70 %,  $n = 629$ ), the biggest single group worked in upper middle management (36 %,  $n = 327$ ), and the average age of the respondents was 46 years (range 25–68,  $SD = 9.3$ ).

In 2011 (T2), the questionnaire was sent to those managers who had participated in the study at the baseline measurement and had not declined to be contacted again

( $N = 728$ ). In total, 491 questionnaires were returned. Of the respondents, 27 returned an empty form (e.g., unemployed, retired) and thus 464 were included in the final sample, yielding a response rate of 64 %. That is, of the baseline sample in 2009 (T1;  $n = 902$ ), 51 % also participated in the follow-up study in 2011 (T2).

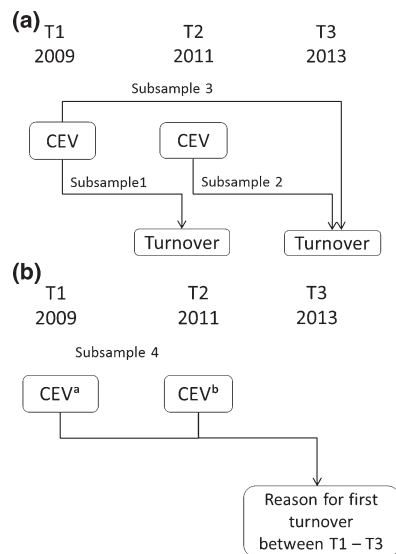
In 2013 (T3), the questionnaire was sent again to those 687 managers who had participated at the study baseline and had not in previous measurements declined to be contacted again. Altogether, 455 respondents participated at this stage of the study, yielding a response rate of 66 % in 2013 (T3).

### Participants in the Present Study

In the present study, we investigated managers' perceptions of the ethical culture of their organization using the 58-item Corporate Ethical Virtues (CEV; Kaptein 2008) questionnaire, which is presented in more detail below. Managers answered the CEV questionnaire at two measurement points, 2009 (T1) and 2011 (T2). The turnover of managers was measured in 2011 (T2) and 2013 (T3). The association between ethical organizational culture and turnover was studied in three follow-up settings, the first two of which were two-year periods and the third one a four-year period: (1) T1 (CEV) to T2 (turnover), (2) T2 (CEV) to T3 (turnover), and (3) T1 (CEV) to T3 (turnover). Three different subsamples were formed to examine the ethical organizational culture as a predictor of manager turnover between these three time lags. A fourth subsample was used to study the associations between ethical culture and the reasons for turnover given by the managers. The study setting is illustrated in Fig. 1.

*Subsample 1* In the first phase, we included those managers ( $n = 451$ ) who had evaluated their ethical organizational culture at the study baseline in T1 and provided information in T2 about whether they had changed their job during the previous two years (T1–T2). The majority of the respondents were men (68 %,  $n = 305$ ), and they were 46 ( $SD = 9.02$ ) years old, on average. Of the managers, 18 % ( $n = 80$ ) worked in lower middle management, 36 % ( $n = 165$ ) in upper middle management, 33 % ( $n = 148$ ) simply gave their position as in management, and 13 % ( $n = 58$ ) worked in upper management.

*Subsample 2* In the second phase, we included those managers ( $n = 308$ ) who had filled in the CEV questionnaire at T2, evaluating their current employer at that time, and who had indicated in T3 whether or not they had changed jobs during the previous two years (T2–T3). Most of the respondents were men (68 %,  $n = 209$ ), with the average age being 48 ( $SD = 9.10$ ) years. Of the respondents in 2013, 19 % ( $n = 59$ ) worked in lower middle management, 33 %, ( $n = 99$ ) in upper middle



**Fig. 1** **a** Theoretical model of the study setting for Subsamples 1, 2, and 3. **b** Theoretical model of the study setting for Subsample 4. CEV<sup>a</sup> was used when the first turnover had occurred between T1 and T2; CEV<sup>b</sup> was used when the first turnover had occurred between T2 and T3

management, 30 % ( $n = 90$ ) in management, and 15 % ( $n = 47$ ) in upper management.

**Subsample 3** In the third phase, we included those managers ( $n = 410$ ) who had filled out the CEV questionnaire in T1 and who reported in T3 whether or not they had changed their job during the previous four years (T1–T3). We wanted to see if the organizational culture evaluated at T1 could predict the first job change during this four-year period. In this sample, most of the respondents were men (68 %,  $n = 280$ ), with the average age being 50 ( $SD = 9.02$ ) years. Of the respondents, 16 % ( $n = 59$ ) worked in lower middle management, 29 % ( $n = 111$ ) in upper middle management, 33 % ( $n = 125$ ) in management, and 16 % ( $n = 62$ ) in upper management.

**Subsample 4** The fourth subsample consisted of those managers who had reported the reasons for their first job change during the T1–T3 time period ( $n = 124$ ), and those managers who had not changed their job during this time period ( $n = 258$ , referred to as the group of stayers). Ethical organizational culture measures were added to the analyses from either T1 or T2, depending on which time point preceded the first change of job and the reasons given by the managers. Of the managers, 68 % ( $n = 261$ ) were men, they were on average 50 ( $SD = 8.39$ ) years old (measured in 2009), and 16 % ( $n = 62$ ) worked in lower middle management, 36 % ( $n = 138$ ) in upper middle management, 34 % ( $n = 130$ ) in management, and 14 % ( $n = 52$ ) in upper management.

### Attrition Analysis

Attrition analysis showed that the baseline sample in 2009 ( $n = 902$ ) included slightly more women than the original sample ( $N = 3000$ ) [ $\chi^2(1) = 6.07, p < 0.05$ ], and that the respondents were a year younger on average [ $t(1751) = 2.69, p < 0.01$ ].

The attrition analyses comparing gender, age, and managerial level among the participants were done separately for the four subsamples used in this study. In the attrition analyses, those who belonged to the subsamples (i.e., had provided information about their job changes and about their perceptions of ethical culture) were compared to the ones who had not participated in the study after the baseline measurement in 2009. In *Subsample 1*, the analysis showed that the respondents at T2 ( $n = 451$ ) did not differ from those who had left the study after the baseline measurement ( $n = 451$ ). In *Subsample 2*, no differences were found between the respondents at T3 ( $n = 308$ ) and the ones who had left the study ( $n = 594$ ), and the same applied to Subsample 3 which included 410 respondents, and to Subsample 4 including 382 participants.

### Measures

**Turnover** was investigated in T2 and T3 by asking participants whether they had changed or left their job during the previous two years (yes/no). These variables were used to examine turnover in Subsamples 1, 2, and 3. The turnover information reported by the participants was double checked and compared to the background variables reported two years earlier (e.g., years worked in the company).

An open-ended question at T3 asked about the *exact timing* and *major reason for changing job*. A ‘turnover calendar’ was developed for this study, on which the respondents were asked to mark the year and month they had changed their jobs. They were also asked to write the reason(s) for their move in a separate empty space. The advantages of this type of open-ended question are, for instance, that it allows the respondents to include more information, including feelings and attitudes, to answer in detail, and to qualify and clarify responses. The reasons the managers had retrospectively given for their *first* change of jobs (between years 2009 and 2013) in the open-ended answers were categorized into five different turnover categories that will be presented later. These categories were used in *Subsample 4* to examine the associations between ethical culture’s virtues and reasons for changing jobs.

**Ethical organizational culture** was assessed by the 58-item Corporate Ethical Virtues (CEV) questionnaire at T1 and T2 (Kaptein 2008). The 58-item CEV scale is the only normative and multidimensional scale measuring the



ethical culture of organizations that has been empirically validated (Huhtala et al. 2011; Kangas et al. 2014; Kaptein 2008). The eight-factor structure of the CEV scale has also been found to remain unchanged across groups (Kangas et al. 2014) and across time in the present longitudinal data (Huhtala et al. 2015). The original Dutch version of the scale was first translated into Finnish and then back into Dutch by two independent authorized translators (see, e.g., Huhtala et al. 2011). The scale consists of the following eight subscales measuring each virtue: clarity (10 items, e.g., “The organization makes it sufficiently clear to me how I should deal with confidential information responsibly”); congruency of supervisors (6 items, e.g., “My supervisor does as he says”); congruency of senior management (4 items, e.g., “The conduct of the Board and (senior) management sets a good example in terms of ethical behavior”); feasibility (6 items, e.g., “I have insufficient time at my disposal to carry out my tasks responsibly”); supportability (6 items, e.g., “In my immediate working environment, everyone has the best interest of the organization at heart”); transparency (7 items, e.g., “If a colleague does something which is not permitted, my manager will find out about it”); discussability (10 items, e.g., “In my immediate working environment, there is adequate scope to discuss unethical conduct”); and sanctionability (10 items, e.g., “If I reported unethical conduct to management, I believe those involved would be disciplined fairly regardless of their position”). The response scale ranged from 1 (strongly disagree) to 6 (strongly agree), and negatively worded feasibility item scores were reversed so that the higher the given score was, the stronger the virtue was. The copy of the scale can be found in English from the original paper of Kaptein (2008) and both in English and in Finnish from the dissertation of Huhtala et al. (2013). The means, standard deviations, and Cronbach’s alphas of these virtues in every subsample are reported in Table 1.

The background variables to be controlled for in the analyses included gender (male/female), age (in years), and managerial level (upper management/management/upper middle management/lower middle management). Previous research has shown that younger employees are more likely to change their jobs (e.g., Mayer and Schoorman 1998; Moynihan and Landuyt 2008). Studies on the associations between gender and organizational position on the one hand and turnover on the other have yielded inconsistent results (see, e.g., the review of Moynihan and Landuyt 2008), with some studies showing that a higher organizational position relates to turnover, and some studies showing the opposite. Regarding gender, some studies have suggested that women are more likely to change jobs (e.g., Blau and Kahn 1981). However, a later labor economic finding has indicated that educated women and men resemble each other in turnover rates and patterns (see the review of Griffeth et al. 2000). Rosin and Korabik (1992, 1995) found that situational factors affect turnover rather than gender or other person-centered explanations, and other factors, such as work–family responsibilities and marital status, explain the gender differences in turnover (Lee 2012). Some studies including meta-analyses have found that gender is a weak predictor of turnover (Bauer et al. 2007; Griffeth et al. 2000), but this viewpoint has been challenged by some researchers (e.g., Lee 2012; Sousa-Poza and Sousa-Poza 2007), as women’s status in the labor market is continuously improving.

**Analyses**

Associations between background variables and managerial turnover (in Subsamples 1, 2, and 3) and background variables and the categories of reasons for turnover (Subsample 4) were investigated with  $\chi^2$  tests (gender and managerial level), t tests and ANOVAs (age). After preliminary analyses, logistic regression analyses (background variables controlled for) were used to study whether the

**Table 1** Means, standard deviations, and Cronbach’s alphas of ethical organizational culture virtues in four subsamples

CEV	Subsample 1 (n = 451) (CEV at T1)		Subsample 2 (n = 308) (CEV at T2)		Subsample 3 (n = 410) (CEV at T1)		Subsample 4 (n = 382) (CEV at T1 or T2 <sup>1</sup> )
	M (SD)	$\alpha$	M (SD)	$\alpha$	M (SD)	$\alpha$	M (SD)
Clarity	4.68 (0.82)	.93	4.80 (0.75)	.91	4.85 (0.79)	.93	4.90 (0.69)
Congruency of supervisors	4.46 (1.09)	.94	4.58 (1.02)	.93	4.60 (1.02)	.94	4.64 (1.05)
Congruency of senior management	4.34 (1.08)	.92	4.49 (0.99)	.91	4.42 (1.11)	.94	4.49 (1.04)
Feasibility	4.46 (0.92)	.81	4.48 (0.92)	.84	4.56 (0.93)	.85	4.54 (0.94)
Supportability	3.90 (0.95)	.90	4.00 (0.96)	.91	4.05 (0.99)	.91	4.05 (0.92)
Transparency	4.05 (0.78)	.86	4.09 (0.79)	.87	4.19 (0.80)	.88	4.19 (0.73)
Discussability	4.58 (0.86)	.94	4.62 (0.87)	.95	4.68 (0.89)	.95	4.70 (0.81)
Sanctionability	4.26 (0.82)	.90	4.25 (0.70)	.89	4.30 (0.86)	.91	4.39 (0.77)

<sup>1</sup> CEV value was included in the analysis from the time point preceding first reported turnover

eight virtues of ethical organizational culture predict managerial turnover. In *Subsample 1*, we studied whether ethical culture evaluations at T1 were associated with a manager's first change of job, between T1 and T2. In *Subsample 2*, the ethical culture virtues at T2 were set to predict a manager's first change of job between T2 and T3. In *Subsample 3*, ethical organizational culture at T1 was set to predict a manager's first change of job between T1 and T3. In *Subsample 4*, ANCOVA analyses (background variables controlled for) were used to study the associations between the perceptions of the virtues of ethical organizational culture (T1 or T2) and the first reason managers gave for their first job move between T1 and T3. The written reasons for changing jobs were thematically categorized into five content categories by two coders, who went through the data independently. Cohen's kappa coefficient ( $\kappa = .94$ ) showed excellent agreement of the categories between the two coders (Landis and Koch 1977). These five categories of reasons for a job change (presented later) were compared in further analyses to the group of those who stayed where they were. All of the analyses were performed with IBM SPSS statistics, version 22.

## Results

### Descriptive Results

The majority of the respondents in this study did not change their job during the study period. In *Subsample 1*, 84 managers (19 %) changed their job and 367 (81 %) stayed in the same organization between T1 and T2. In *Subsample 2*, 45 (15 %) changed jobs between T2 and T3 and 263 (85 %) did not. *Subsample 3* consisted of 125 (30 %) job changers and 285 (70 %) stayers between T1 and T3. *Subsample 4* included 124 (32 %) managers who reported a job change and 258 (68 %) who did not leave their organization between T1 and T3.

The results showed that gender and managerial level did not associate with job change in any of the four subsamples. Table 2 shows that those respondents who had changed their jobs were on average two years younger than the ones who had stayed in their organization in *Subsamples 1* and *4*, and three years younger in *Subsample 3*. In *Subsample 2*, job changers and stayers did not differ from each other in age. As a result of these findings, only age was included as a control variable in subsequent analyses.

### Ethical Culture as a Predictor of Turnover

The results of logistic regression analyses in *Subsamples 1*, *2*, and *3* are presented in Table 3. The results indicated,

partly supporting our Hypothesis 1, that in all three subsamples, the virtues of congruency of supervisors and congruency of senior management were associated with manager turnover during the following two (*Subsamples 1* and *2*) or four years (*Subsample 3*). In addition, the virtues of discussability and sanctionability were found to predict manager turnover in *Subsample 2*.

### Turnover Reasons

Of the managers who took part in *Subsample 4* ( $n = 382$ ), 124 had changed or left their job between T1 and T3 and gave a reason for their move. Five content categories were found on the basis of thematic categorization and they are listed in descending order of size in Table 4: (1) Lay-off (36 %), (2) Career/challenges (31 %), (3) Dissatisfaction with the job or organization (14 %), (4) Organizational change (10 %), and (5) Decreased well-being/motivation (9 %). These content categories were compared to the group of stayers in the analyses.

$\chi^2$  tests and ANOVAs were conducted to examine the relationships between the background variables and the job changers' and stayers' groups (*Subsample 4*). The results of the  $\chi^2$  tests revealed no differences between the stayers and those who changed jobs in terms of gender or managerial level. Significant differences were found regarding age: managers in the groups of *lay-off* and *stayers* were on average older than the managers who were dissatisfied with the job or the organization, who explained their job change by decreased well-being or motivation, or who were seeking career opportunities or challenges (see Table 5). In subsequent analyses, age was used as a covariate.

### Ethical Organizational Culture and the Reasons for Job Change

The results of ANCOVA analyses (see Table 6) showed that in general, perceptions of all the virtues of ethical organizational culture were statistically significantly associated with the categories of reasons given for changing jobs ( $p < .001$  and  $p < .01$ ). A closer look at the pairwise comparisons showed that, in line with quantitative results, stayers perceived many of the virtues of their organization's ethical culture more positively than the turnover groups with the exception of the group *organizational change*. More specifically, managers in the group of *stayers* gave higher evaluations for clarity, congruency of supervisors, and congruency of senior management than managers in the *lay-off*, *career challenges*, and *dissatisfaction with the job/organization* groups. They also perceived feasibility, supportability, and discussability more positively than the *dissatisfaction with the job/organization* and

**Table 2** Paired samples *t* test results comparing age difference between the stayers

	Age-stayers <i>M (SD)</i>	Age-job changers <i>M (SD)</i>	<i>df</i>	<i>t</i> test
Subsample 1 ( <i>n</i> = 451)	46.73 (8.95)	43.51 (8.91)	449	2.98**
Subsample 2 ( <i>n</i> = 308)	48.51 (9.19)	45.93 (8.28)	306	1.76
Subsample 3 ( <i>n</i> = 410)	46.96 (9.11)	44.06 (8.99)	408	2.98**
Subsample 4 ( <i>n</i> = 382)	46.76 (8.20)	44.78 (8.68)	380	2.16*

\* *p* < .05; \*\* *p* < .01

**Table 3** Logistic regression analyses of ethical organizational culture and managerial turnover (controlled for age) (T1–T2, *n* = 451; T2–T3, *n* = 308; T1–T3, *n* = 410)

Corporate ethical virtues	Subsample 1 (T1–T2) <i>n</i> = 84 (job changers) <i>n</i> = 367 (stayers)			Subsample 2 (T2–T3) <i>n</i> = 44 (job changers) <i>n</i> = 264 (stayers)			Subsample 3 (T1–T3) <i>n</i> = 125 (job changers) <i>n</i> = 285 (stayers)		
	<i>B</i>	<i>SE β</i>	Exp ( <i>β</i> )	<i>β</i>	<i>SE β</i>	Exp ( <i>β</i> )	<i>β</i>	<i>SE β</i>	Exp ( <i>β</i> )
Clarity	-.16	.15	.85	-.13	.21	.88	-.10	.45	.91
Congruency of supervisors	-.24*	.11	.78	-.41**	.14	.66	-.24**	.09	.79
Congruency of senior management	-.24*	.11	.79	-.33*	.16	.72	-.25**	.09	.78
Feasibility	-.07	.14	.94	-.25	.17	.78	-.03	.12	.97
Supportability	-.23	.13	.79	-.18	.17	.84	-.14	.11	.87
Transparency	.14	.16	1.16	-.26	.21	1.30	-.01	.14	.99
Discussability	-.15	.14	.86	-.43*	.17	.65	-.11	.12	.90
Sanctionability	-.24	.15	.79	-.40*	.20	.67	-.20	.13	.82

\* *p* < .05; \*\* *p* < .01

decreased well-being/motivation groups, and sanctionability more positively compared to the groups of career challenges, dissatisfaction with the job/organization, and decreased well-being/motivation.

The results also supported Hypothesis 2, showing that weaker ethical organizational culture was associated with turnover reasons related to factors pushing managers away from the organization (e.g., lay-off, dissatisfaction with the job or organization, decreased well-being/motivation). Those managers with decreased well-being/motivation or those who were dissatisfied with their job or organization gave the lowest mean scores on all the CEV sub-dimensions. Managers in the group dissatisfaction with their job or organization differed from the group of organizational change with more negative perceptions of clarity. The virtue of discussability was perceived more negatively in the groups of dissatisfaction with their job or organization and decreased well-being/motivation than in the group of stayers, and in the turnover groups of lay-off, career challenges, and organizational change. Group differences explained 14 % of the remaining variance of discussability, after age was controlled for. In other words, the turnover groups differed from each other most of all in their evaluations of discussability: the mean score differences between these groups were rather large.

## Discussion

The present study aimed to fill the gaps in research regarding the associations between ethical organizational culture and turnover among managers in a 4-year longitudinal study. In addition, the reasons for manager turnover were investigated in relation to the virtues of ethical organizational culture. The advantage of using two different methods is that they can offer complementary information about the particular issue. The results revealed that the virtues of ethical organizational culture were linked to manager turnover and the reasons leading to it.

### An Ethical Organizational Culture Keeps Managers in the Organization

In more detail, our first hypothesis was partly supported with the finding that perceptions of poor congruency of supervisors and congruency of senior management predicted turnover among managers in a two-year and four-year period, and poor discussability and sanctionability predicted manager turnover in a 2-year period, after controlling for age. Our findings regarding congruency are in line with other studies that have shown that the ethical example set by top managers influences managers' job

**Table 4** Categories of reasons for managers' job changes: descriptions, contents, and examples of reasons named by the managers in subsample 4 ( $N = 382$ )

Turnover reason categories	% (n)	Description of contents	Examples of turnover reasons
1. Stayers	68 (258)	Had not changed their job	
2. Lay-off	12 (44)	Lay-off or a negotiated "lay-off package/severance pay"	"The CEO change led to changes in personnel (severance pay)" "The company's desire to make a change led to the change of CEO"
3. Career challenges	10 (38)	Professional development, career challenges	"Financial and production-related grounds for termination" * mentioned many times "Terminated a long career for one employer and moved toward new challenges. More responsible role"
4. Dissatisfaction with the job/organization	4 (17)	Person-organization value misfit, poor leadership and values, dissatisfaction with the actual job or organization	"Better and more meaningful job, also with better developmental and growth opportunities" "Career development was stuck, got a better salary, supervisor was not good"
5. Organizational change	3 (13)	Organizational changes, usually mergers and acquisitions	"Dissatisfaction with the company's strategy and values" "Bullying at work from supervisor" "The misfit between own approach and the senior management's values" "Dissatisfaction with the company's top management's acts"
6. Decreased well-being/motivation	3 (12)	Decreased well-being for various reasons, motivational problems, illness	"The company merged with three other companies; my position changed from top management tasks to leading experts" "Acquisition. Transition to the acquired company's production line management." "Starting as an entrepreneur after the organization changed"
			"As a result of physical illness there was too much strain from work overload; stress and depression led to taking sick leave" "Too heavy workload and tough requirements for time-management" "An ever-increasing workload and due to that exhaustion" "I did not have motivation anymore and I was feeling exhausted"

**Table 5** Results of ANOVA analysis for age differences in the categories of reasons for employee turnover ( $n = 382$ )

	1. Stayers ( $n = 258$ )	2. Lay-off ( $n = 44$ )	3. Career challenges ( $n = 38$ )	4. Dissatisfaction with the job/organization ( $n = 17$ )	5. Organizational change ( $n = 13$ )	6. Decreased well- being/motivation ( $n = 12$ )	F test	Pairwise comparisons
Age	46.8	47.8	43.1	41.4	45.8	42.3	3.29**	1 > 3, 4 2 > 3, 4, 6

\*\*  $p < .01$

satisfaction, commitment, and turnover intentions (Kim and Brymer 2011), and that ethics-related action on the part of managers and supervisors—such as talking about ethics at work, keeping promises and commitments, informing employees, and modeling ethical behavior—produces

organizational satisfaction (National Business Ethics Survey 2003). In addition, *congruency of supervisors* and *congruency of senior management* have been found to predict career goals related to job change among managers (Huhtala et al. 2013). *Discussability*, in turn, reflects the

**Table 6** Results of ANCOVA analyses for ethical culture in the categories of reasons for employee turnover (age as a control variable,  $N = 382$ )

Ethical culture (range 1–6)	1. Stayers ( $n = 258$ )		2. Lay-off ( $n = 44$ )		3. Career challenges ( $n = 38$ )		4. Dissatisfaction with the job/ organization ( $n = 17$ )		5. Organizational change ( $n = 13$ )		6. Decreased well-being/motivation ( $n = 12$ )		F test	Pairwise comparisons	$\eta^2$
	M (SD)	M (SD)	M (SD)	M (SD)	M (SD)	M (SD)	M (SD)	M (SD)							
Clarity	5.04 (.54)	4.65 (.72)	4.63 (1.0)	4.31 (.60)	5.05 (.83)	4.35 (.72)	8.95***	1 > 2, 3, 4, 6, 5 > 4	0.11						
Congruency of Supervisors	4.86 (.87)	4.13 (1.22)	4.33 (1.31)	3.71 (1.28)	4.72 (.76)	3.76 (1.30)	10.00***	1 > 2, 3, 4	0.12						
Congruency of Senior Management	4.72 (.88)	4.20 (1.15)	4.14 (1.24)	3.50 (1.24)	4.46 (1.11)	3.89 (1.19)	8.80***	1 > 2, 3, 4	0.11						
Feasibility	4.68 (.82)	4.29 (1.02)	4.47 (1.11)	3.87 (.96)	4.49 (1.22)	3.64 (1.38)	5.02***	1 > 4, 6	0.07						
Supportability	4.19 (.79)	3.86 (1.02)	3.96 (1.02)	3.27 (1.13)	3.90 (1.18)	3.24 (1.06)	6.31***	1 > 4, 6	0.08						
Transparency	4.26 (.70)	4.14 (.82)	4.06 (.81)	3.97 (.63)	4.24 (.82)	3.56 (.96)	3.27***	1 > 6	0.04						
Discussability	4.86 (.60)	4.59 (.93)	4.56 (1.03)	3.90 (1.07)	4.75 (1.01)	3.61 (1.29)	12.11***	1, 2, 3, 5 > 4, 6	0.14						
Sanctionability	4.55 (.66)	4.24 (.79)	4.15 (.88)	3.77 (.87)	4.40 (.93)	3.63 (1.11)	8.85***	1 > 3, 4, 6	0.11						

\*  $p < .05$ ; \*\*  $p < .01$ ; \*\*\*  $p < .001$

possibilities of criticizing or debating ethical issues; it has been found to relate to career-ending goals among managers (Huhtala et al. 2013). If there is no room for ethical discussions, this moral muteness may lead to higher moral stress (Bird and Waters 1989) and possibly lead to a perceived breach in the psychological contract (O'Donohue and Nelson 2009). Poor *sanctionability* reflects a tolerance of unethical conduct and an undermining of the effectiveness of norms, as well as a lack of recognition of ethical conduct. In sum, for the managers in this study, the decision to change their job was affected not only by the perception that *congruency* was low in their organization, but also by the perception that their organization did not support discussion about ethical issues, and gave neither rewards for ethical conduct nor sanctions for unethical conduct.

With regard to the four abovementioned virtues, it can be assumed that when the organizational culture is less ethical, especially ethically oriented managers may experience difficulties in acting according to their own values, as P–O fit theory (Chatman 1989) suggests. In fact, it has been suggested that managers who consider ethical values to be important strive to work in a matching organization (Brown and Treviño 2006). A value misfit between the manager and the organization may lead to turnover or resignation, for instance as a result of an ethical conflict (Schwepker 1999; Thorne 2010). In addition, a less ethical organizational culture can be perceived as a breach in the psychological contract in itself, which can lead to resignation (O'Donohue and Nelson 2009). Managers can feel that unfulfilled commitments promised in the recruiting phase violate the psychological contract between them and their organization, and this can lead to turnover intentions (Collins 2010). Thus, by improving the ethical example set by higher managers, discussion about ethical issues, and rewards and sanctions for (un)ethical actions, it is possible to create a more favorable working environment for managers to operate in and to keep them in the organization.

The two virtues that had a steady impact on predicting managers' actual turnover throughout the four-year study period were *congruency of supervisors* and *congruency of senior management*, whereas poor *discussability* and *sanctionability* predicted manager turnover only in the later 2-year study period, between 2011 and 2013. The reasons why this connection emerged only in the later period of the study may be many. First of all, it may be that *congruency* is a steady predictor of turnover, whereas *discussability* and *sanctionability* may reflect the current economic and societal conditions more. The effects of the economic downturn that started in 2008 on the perceptions of ethical culture may have become visible in the 2011 questionnaire, underlining the importance of opportunities

to discuss ethical issues, and of fostering principles for the consequences of (un)ethical conduct. It is possible that the ethical organizational culture had actually become weaker between 2009 and 2011: as Huhtala et al. (2015) showed in their study on ethical organizational culture's influence on managers' well-being, one group of managers reported a steady decrease in ethical culture in a two-year time period. In addition, one partial explanation for the result in this study may be the smaller sample size in 2011 compared to 2009, which may have affected the selectivity of the respondents and consequently the results, and should be taken into consideration when interpreting the results.

### Unethical Culture Pushes Managers to Change Their Job

The results showed that all the virtues of ethical organizational culture were associated with the different categories of reasons for turnover. Managers in the group of *stayers* perceived the virtues of their organization's ethical culture more positively than the turnover groups. The results supported the quantitative findings, showing that those managers who did not change their organization were more content with their ethical organizational culture than the turnover groups. In sum, managers who work in virtuous organizations are willing to stay there.

Although the main interest of this study was on push-motivated job change, the pull-motivated job change was also recognizable from the managers' answers. This finding was expected, since managers are likely to change jobs more often in order to advance in their career. Especially, those managers who have some special knowledge and skills may be headhunted by other companies, and social media have made networking and job search easier. Moreover, turnover may also have a weak but stable component (Semmer et al. 1996, 2014), implying that there is a tendency to more easily either stay or leave throughout one's career. As expected, the previous perceptions of the organization's ethical culture were not linked with pull-motivated quitting, as the pull-motivated managers had perceived their previous organization's ethical culture fairly positively.

The groups of *career challenges* and *organizational change* included those managers who were attracted or "pulled" from their current positions for professional, financial, or personal advancement. Comparison of the mean scores showed that the turnover groups of *career challenges* and *organizational change* perceived many of the virtues more positively than the other turnover groups, although they were somewhat more critical in their perceptions than the group of *stayers*. This result was in line with the expectations that pull-motivated job changers may not be dissatisfied with their current job, as the pull

motivation may represent "the desire to try out something new; to expand one's skills, knowledge, and abilities; to seek a new challenge or the like are further possibilities. These do not require dissatisfaction with one's current job or organization." (Semmer et al. 2014, p. 75).

The results indicated that the group of *career challenges* did not differ from other turnover groups in their evaluations of the virtues of ethical culture, but they were more critical in their evaluations compared to the group of managers who did not change their organization in the four-year study period. Some managers in this group implied that they had already worked a long time in one organization and felt that it no longer provided them opportunities: "I terminated a long career for one employer and moved towards new challenges and more responsible role." On the other hand, it seems that managers in this group were also dissatisfied with some things in the organizational culture, and career development was not the only reason for changing their job, as their comments showed: "I wanted a change, to learn new, there was a good opportunity. I was also not satisfied with certain things in the previous work community" or "Career development was stuck, I got a better salary, supervisor was not good."

The group of *organizational change*, on the other hand, differed from the other turnover groups with its more positive perceptions of the virtue of clarity and discussability. Many of the managers in this group had changed their tasks or organization due to acquisitions and mergers, but some also reported starting to work as an entrepreneur as a result of an organizational change. In this context, organizational change did not act as a push motivator driving the manager away from the organization: it is possible that in many cases these managers could negotiate their role in the future organization and participate in the change process. In addition, large organizational changes are usually planned in advance, phased in, and followed up, which might also explain the high scores given to the virtue of clarity, which refers to comprehensive and concrete expectations and norms for ethical behavior. Moreover, compared to organizational changes, which are usually implemented in as controlled a way as possible, temporary lay-offs, career challenges, and general dissatisfaction may cause more uncertainty among managers, which may explain why the ethical culture was perceived as lower among these groups.

The findings of this study supported the second hypothesis (H<sub>2</sub>) claiming that a weaker ethical organizational culture will increase the probability for changing jobs because of push motivation, such as value conflicts or mismatches between the manager and their organization. Push-motivated job change groups were considered to include the following groups: *dissatisfaction with the job/organization*, *decreased well-being*, and partly the group of

*lay-off*, which included managers who were either forced to change their jobs, or left their current organization after negotiations and severance pay packages. In some cases, they had come under a lot of pressure to resign and had had little alternative but to do so. In Finland, upper-level managers often fall outside of the Act on contracts of employment: they, therefore, do not have the protection of the labor law and may be laid off at short notice. In consequence, they always risk facing the push factors that come on the initiative of the organization: being laid off or asked to resign. In the following sections, the results regarding the other two job change groups, *dissatisfaction with the job/organization* and *decreased well-being*, will be inspected in more detail, since these two groups were the most critical of all the virtues of ethical culture in their organization.

The reasons managers gave for their job change in the group of *dissatisfaction with the job/organization*, such as “the misfit between own approach and the senior management’s values” (see Table 4), indicated that a job change was often preceded by a sense of incongruence between the manager’s values and those of the organization. This finding is in line with studies showing that poor person–organization fit predicts turnover (O’Reilly et al. 1991), and that a misfit between values may create ethical conflicts that eventually lead to turnover, as Thorne (2010) suggested. Managers in this *dissatisfaction with the job/organization* group rated all the virtues, except for transparency, lower than the managers in the group of stayers. Especially, the perceptions of congruency of supervisors and senior management, discussability, and sanctionability were fairly low in this group, indicating that the dissatisfied managers lacked an ethical example and role modeling from their managers and supervisors, lacked opportunities to discuss ethical issues, and perceived that unethical actions were not punished and ethical actions not rewarded in their organization. Another way to explain this result is a possible violation in the *psychological contract* between the managers and their organizations, which has previously been shown to lead to turnover intention among employees (Suazo et al. 2005; Sturges et al. 2005; Carbery et al. 2003) and managers (Shahnawaz and Goswami 2011). For instance, managers gave reasons for a job change such as “dissatisfaction with the company’s top management’s acts” and “Being bullied at work by own supervisor,” and this can be interpreted as disappointment with promises made at the recruiting stage. Unfulfilled promises like these, breaches in the psychological contract, have in fact been shown to lead to turnover intentions among managers (Collins 2010).

Another group of managers, who differed from the stayers with more negative perceptions of almost all the virtues, was the group of *decreased well-being/motivation*.

However, this group did not differ statistically from the *stayers* in their perceptions of congruency of supervisors and senior management, like the group *dissatisfaction with the job/organization* did, although the mean score for congruency of supervisors was fairly similar in both of these turnover groups. A few studies have shown that the virtues of congruency of supervisors and senior management are important in preventing employee sickness absences (Kangas et al. 2015) and in promoting managers’ well-being (Huhtala et al. 2011, 2015). However, our findings indicated that the managers who had changed their job due to exhaustion, work overload, or motivational issues gave the lowest mean scores of all the groups to the virtues of feasibility, supportability, transparency, discussability, and sanctionability, but not to congruency. Perhaps, in preventing managers from having too much work overload and keeping them motivated the ethical example of their supervisors is not enough; it is also important to provide adequate resources to enable ethical behavior, as well as encourage ethical conduct by rewards and sanctions for (un)ethical actions, and to provide possibilities of discussing ethical issues openly. In addition, the organization should encourage support and mutual trust among co-workers, which in managerial work could mean building up a supportive network with other managers.

The results of the present study were somewhat different for Hypotheses 1 and 2. The quantitative results on manager turnover in a longitudinal setting showed that four out of the eight virtues were related to turnover, whereas regarding the turnover groups, the results implied that all the virtues were perceived significantly differently between those managers who did not change their job and those managers who belonged to one or other of the turnover groups. One explanation for this may lie in the different ways of analyzing the data, as those managers who had changed jobs were divided into smaller subgroups based on the reasons they had given for their job change. Also the sample size was bigger in the first three subsamples, while the fourth subsample included only managers who did not change their job at all or managers who at the last measurement point provided some information in the open-ended questions about their reasons for changing their job. Those managers who took part in the whole survey may have been more motivated in the topic of the survey and in answering thoroughly, but they may have also been the ones who had something to criticize; especially, those managers who answered open-ended questions about their reasons for changing jobs may have had more negative experiences related to their move. However, the information was sought using different methods that were designed to complement and confirm each other, providing valuable information on the topic from a range of different points of view.

### Limitations and Future Recommendations

This study has its limitations. First, the participants in this study were Finnish managers, and this sets some limits to the generalizability of the results. Second, the response rate in the first questionnaire round was fairly low. However, it has been suggested that for managerial data, a response rate of anything over 35 % is acceptable (Baruch and Holtom 2008). Third, other control variables, such as ethical climate and organizational culture in general, were not included in the survey. However, their inclusion would have made it very time-consuming and could therefore have yielded a lower response rate. In addition, those respondents who participated in the study through the four years may have been managers who were particularly interested in ethical topics or, conversely, had something to criticize. It is also important to note that although it is expected that ethical managers value ethical values in their organization, we did not include manager's self-evaluations of their own ethical leadership.

Future studies in ethical organizational culture and turnover could make use of additional objective measures. For instance, a company's financial ratios and performance could be studied as an antecedent of turnover at the same time as the ethical organizational culture, to find out what kind of additional effect an ethical organizational culture may have on turnover when these objective measures are included in the same analysis. In addition, it would be useful to find out whether a company's financial ratios and performance are associated with perceptions of how ethical an organization's culture is. Another fruitful direction would be to examine the (mis)match between managers' own personal ethical values and their organization's ethical values, to see if this fit or misfit plays a role in explaining subsequent turnover. Such a study would throw light on our previous assumptions that the person–organization value fit and psychological contract may explain the associations between ethical culture and turnover.

### Conclusions

This study contributes to the literature by establishing the role of ethical culture in preventing manager turnover. Longitudinal setting with multiple measurement points was used, which has been a shortage in the ethical culture research. The results of the present study also provide new information on the reasons leading to quitting, which are still relatively unknown, and especially in relation to the values of an organization, which represent the ethical culture. For organizations, it is important to understand managers' motives for changing jobs and find out how to reduce the likelihood of them leaving, since managers'

departure can be detrimental for organizations in various ways. Four out of eight virtues of ethical culture were related to fewer job changes in both the two- and four-year follow-up periods, and all of the virtues were associated with the reasons for turnover. The ethical role modeling of supervisors and managers were most strongly associated with fewer turnovers among managers. Discussability and sanctionability were also associated with fewer job changes. From the examination of the reasons managers gave for turnover, one could see that the turnover group is not homogeneous, but there are several different reasons for leaving. Especially, those managers, who had perceived their organization's ethical culture as weakest, named job change reasons related to dissatisfaction with their job or the organization, or well-being or motivational issues. It seems that in preventing managers to leave, it is important that managers perceive that their own managers and supervisors "walk the talk," that they have opportunities to discuss ethical issues, and that the sanctions and rewards for (un)ethical conduct are implemented justly and fairly. Therefore, it is important to nurture the virtues that reflect the ethical organizational culture to encourage all managers and supervisors to want to remain in their organization.

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