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Ethical climate's relationship to job satisfaction, organizational commitment, and turnover intention in the salesforce

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Abstract

This paper examines ethical climate's relationship to job satisfaction, organizational commitment, and turnover intention among salespeople. Although salespeople are believed to be physically, psychologically, and socially separated from the organization, results suggest that the organization's ethical climate nevertheless influences them. Results suggest that salespeople's perceptions of a positive ethical climate are positively associated with their job satisfaction and organizational commitment. Implications and directions for future research are provided. © 2001 Elsevier Science Inc. All rights reserved.

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Climate refers to the ways organizations operationalize routine behaviors and the actions that are expected, supported and rewarded (Schneider and Rentsch, 1988). Due to differences in individuals' positions, work groups, and employment histories, perceptions of organizational climate may vary within the firm (Victor and Cullen, 1988). Furthermore, an organization, subunit and work group may consist of many different types of climates — including an ethical climate (Schneider, 1975).

Today's organizations are likely to contain climates that run anywhere from very ethical to very unethical. A national survey of 4000 business employees found that 25% of those responding believed that their companies ignore ethical conduct to meet business objectives, and nearly 17% stated that their company overtly encourages misconduct to meet business objectives (Goodell, 1994). While such evidence suggests that unethical climates exist, it conversely implies that not all organizations' climates are perceived as unethical.

A firm's ethical climate dictates its ethical values and the behaviors expected, and has been shown to influence the ethicalness of its members (Wimbush and Shepard, 1994; Verbeke et al., 1996). It has long been suggested that ethics be incorporated into the organization (e.g., Robin and Reidenbach, 1987), and creating an ethical climate within the organization may provide one means for doing so. However, ethics' relationship to certain job-related outcomes is unknown, particularly in sales. Research relating ethics to job outcomes finds significant relationships between organizational ethical values and organizational commitment (Hunt et al., 1989; Posner and Schmidt, 1993; Sims and Kroeck, 1994), role conflict (Schwepker et al., 1997), job satisfaction (Vitell and Davis, 1990; Weeks and Nantel, 1992; Deshpande, 1996), turnover (Sims and Kroeck, 1994), and performance (Weeks and Nantel, 1992). A closer look at these studies, however, finds that while the relationships between organizational ethical values and role conflict, satisfaction, and performance have been investigated in a sales setting (i.e., Weeks and Nantel, 1992; Schwepker et al., 1997), the relationships between organizational ethical values, and organizational commitment, and turnover have not. Moreover, the one study (i.e., Weeks and Nantel, 1992) that examined the relationship between ethics and satisfaction in the salesforce examined only one company in one industry.

The present study examines the relationship between the organization's ethical climate (an expression of its ethical values), job satisfaction, organizational commitment, and turnover intention among salespeople. Salespeople make an interesting group to study when examining these relationships. As boundary spanners, salespeople typically work outside the organizational setting. As such, they are believed to be physically, socially, and psychologically separated

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from the organization (Dubinsky et al., 1986). With the tendency to experience such separations, and to be less closely supervised than those working inside the organization, are salespeople less prone to the effects of the firm's ethical climate? Given that ethical climate has been associated with ethical behavior (e.g., Wimbush et al., 1997; Bartels et al., 1998), coupled with the importance of practicing ethical principles to develop long-term customer relationships (i.e., relational marketing exchanges) (Gundlach and Murphy, 1993), the ability of climate to influence salespeople's behavior takes on a critical role. As boundary spanners, salespeople play a pivotal role in initiating and establishing customer relationships. How ethical salespeople are in performing their responsibilities should play a key role in determining whether long-term mutually satisfying customer relationships are developed.

The purpose of this paper is to examine the relationships between ethical climate, job satisfaction, organizational commitment, and turnover intention among salespeople (see Fig. 1). The model in Fig. 1 proposes that ethical climate is positively related to salespeople's job satisfaction and organizational commitment, and negatively related to their turnover intention. Furthermore, job satisfaction is positively related to organizational commitment, which is negatively related to turnover intention. Understanding these relationships may provide greater insight for incorporating ethics into the organization and effectively managing the salesforce. If significant relationships between ethical climate and these outcome variables exist, managers may be provided with direction for managing the organization to bring about greater levels of satisfaction and commitment, and lessen turnover intention. Given the high costs associated with negative turnover (e.g., recruiting, selecting, and training costs; opportunity costs of a vacated territory; potential negative impact on current customer relationships due to problems in covering the lost salesperson's accounts), a better understanding of factors affecting it can make a difference in effectively managing the salesforce.

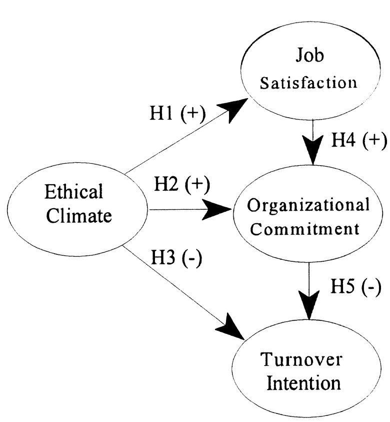

Fig. 1. Hypothesized model of the relationships between ethical climate, job satisfaction, organizational commitment, and turnover intention.

The paper begins with a discussion of the theoretical foundation, followed by a description of the research methods and results. Subsequently, results are discussed in light of current theory, and implications are provided. Finally, study limitations and future research are addressed.

1. Theoretical background and research hypotheses

1.1. Organizational ethical climate

Ethical climate has been defined as "the prevailing perceptions of typical organizational practices and procedures that have ethical content (Victor and Cullen, 1988, p. 101)." Top management appears to play a critical role in the formation and perpetuation of a firm's ethical climate (Deal and Kennedy, 1982; Schein, 1985). The literature suggests that the climate for unethical conduct is present when a firm does not enact and enforce codes of ethics, policies, and directives that specify, discourage, monitor, and correct unethical behavior (Ferrell and Gresham, 1985).

Ethical codes play an instrumental role in organizational members' ethical decision making (*Ethics in American Business*, 1988). They are typically introduced as a means for clarifying intraorganizational roles and expectations (cf. Brothers, 1991), and have been suggested as a means for promoting an ethical climate within an organization (McDonald, 1999). Higher levels of ethical behavior have been found in firms where codes of ethics are in place and enforced (Ferrell and Skinner, 1988). When codes become an active part of an employee's working knowledge, they are more likely to affect the individual's ethical decision making (Hegarty and Sims, 1979). Additionally, codes that are effectively communicated (i.e., understood) are likely to result in greater ethical behavior (Weeks and Nantel, 1992).

Corporate policy likewise affects an individual's opportunity to behave unethically and impacts the organization's ethical climate. Managers' decisions to behave ethically or unethically are significantly influenced by corporate goals and stated policy (Hegarty and Sims, 1979; Bommer et al., 1987). For example, purchasing officers have been discouraged from accepting gratuities as a result of written company policies (Purchasing: gifts to buyers, 1979).

Lastly, reward and punishment are used to create an ethical climate. Supervisors can influence behavior through their administration of rewards and punishment (Trevino, 1986; Posner and Schmidt, 1987). For instance, Podsakoff (1982) found that appropriately distributed discipline can result in a correction of behavior. Actual discipline, or even the threat of punishment, may indirectly influence the decision to behave ethically via its effects on one's perceptions of likely consequences for unethical behavior and the desirability of those consequences. However, the absence of punishment may provide an opportunity for unethical behavior.