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The Influence of Communication, Empowerment and Trust on Organizational Ethical Climates

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ABSTRACT

In this study, communication, empowerment and trust were examined to determine their influence on an organization's ethical climate. A total of 150 questionnaires completed by managers and executives based in the Klang Valley, Malaysia were analysed. The results demonstrated that empowerment was positively related to a benevolent-local climate while trust was positively related to both benevolent-local and principled-local climates. However, communication did not have a significant influence on all three ethical climate types. We discuss our results and the implications for both future academic research and practice.

Key words: Communication, empowerment, ethical climates, trust.

INTRODUCTION

In the last decade, the business community witnessed two of the most extensive corporate scandals. These were associated with Enron in 2001 and WorldCom in 2002. Both of these companies were incorporated in America, but this should not imply that corporate scandals happen only in America. Other developed as well as developing countries such as Malaysia have not been spared from incidences of corporate disgrace. In the past, Malaysia has encountered a series of accounting scandals, including Transmile Group Berhad, Sime Darby Berhad, Petra Perdana Berhad, Kenmark Industrial Co. Berhad and Maxbiz Corporation Berhad. A well-

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known case is the Transmile Group Berhad which had overstated its Group revenue figures by USD157 million (or RM530 million) in its financial statements covering 2005 and 2006. Another example is Megan Media Holdings Berhad, an optical disc manufacturer, which was investigated by the Malaysian Securities Commission for its involvement in fictitious trading totalling more than USD 152 million (RM500 million) (Salin, Kamaluddin and Manan, 2011).

As a result of ethical scandals in firms such as Enron and WorldCom, scholars have started paying attention to an organization's ethical climate (Martin and Cullen, 2006; Parboteeach and Kapp, 2008) as these cases have brought attention to the public on the inherent dangers of unethical business practices (Appelbaum, Deguire and Lay, 2005). In addition, there is a need for stronger corporate ethics because employees are increasingly faced with decisions that involve ethical issues in today's delegated and goal-oriented organizations. According to the *Asia-Pacific Fraud Survey 2013* conducted by Ernst and Young, 57% of the respondents surveyed believed that managers were likely to take shortcuts in order to meet targets in tough economic circumstances, which could lead to corporate scandals (Ernst and Young, 2013). The impact of organizational misbehaviour are costly (Monks and Minow, 1989) as the livelihood and the future of numerous groups such as employees, shareholders, suppliers and creditors have been profoundly affected or ruined (Angelidis and Ibrahim, 2004). This view is supported by Hjorth (2012), who stated that "failure to maintain an appropriate ethical culture and to provide employees with appropriate models of ethical behaviour can have a high cost for the organization" (Hjorth, 2012, p. 103).

An organization's ethical climate is defined as the shared beliefs and values, which shapes and guides the organizational members' behaviour in the determination of right and wrong at work (Schneider, 1981; Smircich, 1983). It is ''the shared perceptions of what is ethically correct behaviour and how ethical issues should be handled'' within an organization (Victor and Cullen, 1987, p. 51). Because an organization's ethical climate influences both decision making and the subsequent behaviour responses of employees to ethical dilemmas (Victor and Cullen, 1988), investigating the factors that affect or contribute to an ethical climate is important (Shin, 2012).

While ethical climate research has provided meaningful insight into the role ethical climate plays in organizations and how it affects employees' attitudes and behaviour, there are two research gaps identified based on the review of previous studies. First, although there has been various studies on the role of ethical climate and how it affects employee attitudes and behaviour (e.g. Barnett and Vaicys, 2000; Elango, Paul, Kundu *et al*., 2010; Vardi, 2001), organizational commitment (Tsai and Huang, 2008) and ethical decision-making (Barnett and Vaicys, 2000;

Elango *et al*., 2010), there is still an absence of empirical research that investigates the antecedents of ethical climate. The organization's ethical climate plays an important role in shaping the behaviour of employees (Shin, 2012; Schneider, 1975) and identifying factors which can enhance an organization's ethical climate is therefore important. Second, the examples of corporate scandals such as Enron and WorldCom suggested that poor communication and the lack of empowerment were two critical precipitants of corporate scandals (Parboteeah, Chen, Lin *et al*., 2010). So far, very little attention has been paid to the role of both communication and empowerment on an organization's ethical climate. Only Parboteeah, Chen, Lin *et al*., (2010) had investigated the influence of these two variables in 83 companies in Taiwan. However, given that their study was conducted in a single industry in a single country, the authors have called for more studies to be conducted in different industries and countries in order to extend the generalizability of their results (Parboteeah, Chen, Lin *et al*., 2010).

The objective of this study was to identify the influence of communication, empowerment and trust on an organization's ethical climate. By examining the influence of these three variables on an organization's ethical climate, we hope to increase the manager's understanding of how these factors can influence the different types of ethical climates. Furthermore, the results of this study will lay groundwork for further research that may affect management practices in today's business world.

ETHICAL CLIMATE

An organization's ethical climate is the shared beliefs and values, which can be used to mould and guide the organization members' behaviour (Schneider, 1981; Smircich, 1983). It is considered a type of organizational climate that reflects employees' perceptions of the ethical policies, practices and procedures of the organization (Martin and Cullen, 2006). As such, examining the ethical climate is one of the best ways to understand the prescriptive group's climate which is reflected in the procedures, rules, regulation, policies and practices within an organization, which are associated with moral consequences (Cullen, Parboteeah and Victor, 2003). Based on ethical philosophy (and its later applications in developmental psychology), as well as on the sociological theory of reference groups, Victor and Cullen (1987) constructed the ethical climate typology based on two dimensions: ethical criterion and locus of analysis.

The ethical criterion dimension refers to the three major classes of ethical theories that can be found in Kohlberg's moral development theory (Goldman and Tabak, 2010): egoism, benevolence and principle. Egoism refers to behaviour

that is concerned with self-interest whereas benevolence refers to behaviour that has the well-being of others as the dominant reasoning. Principle refers to the application and adherence of rules, regulations and laws when making decisions (Lemmergaard and Lauridsen, 2008). The locus of analysis dimension involves the reference group from which individuals receive cues regarding what is considered acceptable and unacceptable behaviour (Barnett and Vaicys, 2000). It consists of three groups: individual, local and cosmopolitan (Gouldner 1957, Victor and Cullen, 1987). For the individual locus of analysis, the source of reference is based on a person's own needs and preferences, for example, his/her own personal ethics. For the local locus of analysis, the source of reference for ethical decision-making comes from within the focal organization (i.e. its policies and practices) and the source of reference for the cosmopolitan locus of analysis comes from outside the focal organization or individual such as a professional association (Neubaum, Mitchell and Schminke, 2004; Parboteeah *et al*., 2010). Victor and Cullen (1987, 1988) cross-classified the ethical criterion and locus of analysis dimensions which resulted in nine theoretical ethical climates as illustrated in Table 1.

Table 1 Theoretical ethical climate types

		Locus of analysis	
Ethical criterion	**Individual**	**Local**	**Cosmopolitan**
Egoism	Self interest	Company profit	Efficiency
Benevolence	Friendship	Team interest	Social responsibility
Principle	Personal morality	Company rules and procedures	Laws and professional codes

Source: Victor and Cullen (1988)

However, Parboteeah and Kapp (2008) found that the most relevant ethical climate type to understand employees within an organization was the "local" locus of analysis. Thus, this study adopted the local locus of analysis that comprised egoism-local, benevolent-local and principled-local climates of the Victor and Cullen (1988) theoretical ethical climate framework.

RESEARCH HYPOTHESES AND FRAMEWORK

The framework for this study is shown in Figure 1. In this model, it is posited that communication, empowerment and trust would influence the organization's ethical climate (egoism, benevolent and principled). The hypotheses developed for this study will be explained in the next section.

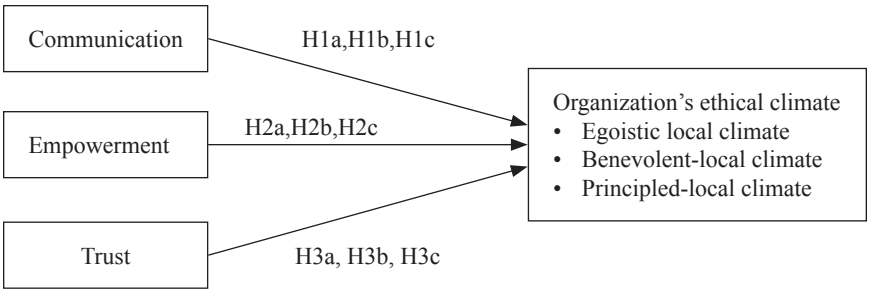

Figure 1 The conceptual framework

Communication and Ethical Climate

Communication is defined as the transfer of meaning between two people or when there is information exchange through various communication channels (Nobel and Birkinshaw, 1998). The most common and basic methods of communication or meaning transfer are oral (e.g., meetings and discussions), written (e.g., emails and faxes) and nonverbal (e.g., body language). The functions of communication within an organization include motivation, control, emotional expression and information diffusion (Robbins and Judge, 2007; Tsai, 2006). According to Harshman and Harshman (1999), communication is crucial to the success of implementing organizational values, norms and codes and this view is supported by Cheney (2007) who said that communication is one of the key managerial competencies and a factor that influences how well an organization performs.

Commenting on the the reason why communication would influence organizational performance, Harshman and Harshman (1999) provide the reason that communication represents the beliefs and values of the leaders in the organization. Hence, people tend to respond negatively rather than ignore the dissonance when the content and process of communication begin to conflict with the fundamental values of the workforce or with commonly accepted ethical principles (Harshman and Harshman, 1999). In addition, ethical problems were potentially created every time an organization sent or received messages (Johannesen, 2002) since the structure and procedure of communication were central to identifying and grounding moral principles (Habermas, 1992). Similarly, Seeger, Sellnow and Ulmer (2003) explained that one of the causes of corporate scandals was the lack of communication within an organization. This happened because employees would feel a lower level of guilt even when they behaved unethically in the absence of communication (Seeger *et al*., 2003). This was because the absence

of communication or a manager's reaction indirectly encouraged employees to perceive it as acceptable to behave unethically (Suchan, 2006). Together, these studies indicate that when there is a lack of communication between subordinates and subordinates, superiors and subordinates or vice-versa, employees would tend to feel less guilty in making decisions that would maximize their own interest (i.e behave in an egoistic manner). Hence, it is hypothesized that:

H1a : Communication is negatively related to the egoism-local climate.

Verbeke, Ouwerkerk and Peelen (1996) stated that individuals were more likely to take others' needs and perspectives into consideration in their decision-making when they communicated with each other more frequently and consequently would engage in more ethical decision-making. This meant that when formal or informal communication took place more frequently, for example, at meetings or in discussions, it was more likely that employees would take the well-being of others into consideration. Hence, frequent communication within an organization would more likely result in ethical decision-making in employees, and satisfying the organization's self-interest would be less prominently considered by employees when making a moral decision (Kohlberg, 1969). As such, we hypothesized that:

H1b : Communication is positively related to the benevolent-local climate.

Laczniak and Murphy (1991) found that while communication played a significant role in continually reminding employees of the organization's ethical codes and conduct, it also functioned as a control mechanism. This may be due to the reason that regular and effective formal or informal communication between superiors and subordinates would potentially ensured employees were thoroughly conversant with their organization's ethical expectations which then enabled subordinates to resist complacency or breaches in relation to ethical codes and rules (Koh and Elfred, 2001; VanSandt and Neck, 2003). Furthermore, organizational communication was also effective in enhancing the application of the organization's codes and rules (Weeks and Nantel, 1992). As such, we hypothesized that:

H1c : Communication is positively related to the principled-local climate.

Empowerment and Ethical Climate

Ford and Fottler(1995) and DuBrin (1998) defined empowerment as a set of activities and practices carried out by managers that gave power, control and authority to their subordinates. Arneson and Ekberg (2006) used the term "empowerment" to refer to the delegation of power and responsibility to make decisions from the highest level in the organizational hierarchy through to the lower employee levels. Empowerment increased the discretionary decision-making authority and influence of members of an organization (Gandz and Bird, 1996) and was a motivational mechanism which could also affect employees' work roles and context (Spreitzer, 1995; 1996). Empowerment has been found to have a strong relationship with an organization's ethical climate (Spreitzer, 1995; Gandz and Bird, 1996). When employees were empowered, they perceived themselves as having choices and autonomy in their work activities. This also meant that when employees were empowered, they were given a role to make decisions at their particular position in the organization and those decisions had a strong influence on the organization's ethical climate, in respect to how the decisions influenced the egoism, benevolent or principled climate types. For example, Filipova (2009) found that organizations were more likely to have an egoistic climate when their employees were less empowered as a result of lack of organizational support and the lack of being respected by their supervisors. Hence, we hypothesized it as:

H2a : Empowerment is negatively related to the egoism-local climate.

Butts, Vandenberg, DeJoy *et al*. (2009) mentioned that employees who were empowered were more likely to make decisions that had collective benefits, because their perception was that they were trusted by the organization and their manager. Hence, it is hypothesised that empowered employees were more likely to make decision that would benefit others in the organization, consistent with a benevolent-local ethical climate.

H2b : Empowerment is positively related to the benevolent-local climate.

In addition, VanSandt and Neck (2003) concluded that when employees were empowered, they were likely to make more ethical decisions and would likely follow the rules and codes of the organization because they felt responsible for

the consequences of their actions as compared to others who were not expected to be accountable for their decisions. Hence, it is hypothesized that:

H2c : Empowerment is positively related to the principled-local climate.

Trust and Ethical Climate

Trust is defined by Mayer, Davis and Schoorman (1995, p.712) as "the willingness of a party to be vulnerable to the actions of another party based on the expectation that the other will perform a particular action important to the trustor, irrespective of the ability to monitor or control that other party". Trust has also been defined as "the willingness to take risks" and the level of trust is an indication of the amount of risk an individual is willing to take (Schoorman, Mayer and Davis, 2007, p.346). Several authors (e.g. Brien, 1998; Hosmer, 1995; Kaptein, 2011) have argued that trust and ethics are intimately related, maintaining that trust is the principal driver of ethical behaviour. Whitener, Brodt, Korsgaard *et al*. (1998) were of the opinion that trust could occur outside the calculations of self-interest and underlie the benevolence dimension of a corporate climate. This infered that when trust existed between two people, they were more likely to make decisions based on the benefit to both parties rather than self-interest. For example, when trust occured between employees, both parties were more likely to consider the interest of the other party when making decision because they wanted to maintain the trust between them (Whitener *et al*., 1998). Hence, we proposed that:

H3a : Trust is negatively related to the egoism-local climate.

H3b : Trust is positively related to the benevolent-local climate.

In addition, employees entrusted by an organization and their managers were also more likely to behave in ways associated with principled-local climates. In a principled-local ethical climate, managers and employees were more likely to obey and follow the organization's codes and rules when making decisions (Butts *et al*., 2009). This was because they felt that since they were being trusted, they could not betray that trust (Cullen, Johnson and Sakano, 2000). In addition, employees working in organizations with a principled-local climate would adhere to the rules, codes and regulations and this would also extend to the supervisors, who would also pay attention to the rules and regulations of their organizations while engaging in decision making. Hence, the supervisors would also behave in accordance to

their organization's rules and codes (Simha and Stachowicz-Stanusch, 2015). Therefore, we argue that there would be high levels of trust between employees and managers in principled-local ethical climates because the employees would feel that their rights and interest were protected and that their managers behaved in a fair and respectful manner, in line with prescribed rules and regulations. Thus, we hypothesized it as:

H3c : Trust is positively related to the principled-local climate.

METHOD

Measures

Questionnaires were used to collect the data for this study. The questionnaire consisted of five sections. The first four sections contained questions to measure communication, empowerment, trust and ethical climate. A 5-point Likert scale, ranging from "1 = Strongly Disagree" to "5 = Strongly Agree" was used to measure the responses in these four sections. The fifth and final section of the questionnaire contained questions to obtain the demographic profile of the respondents. To assess communication, we adapted five questions from Bovee and Thill (2007). Examples of the statements included, "There are routine meetings in my organization", "There is an intranet or an information system to facilitate information sharing in my organization" and "In my department, we set and communicate goals annually". These five items had been used in the study by Parboteeah *et al*., (2010). However, Parboteeach *et al*., (2010) used a "yes/no" response format to elicit feedback indicative of whether communication practices were perceived by employees to exist in the organization. This present study modified the dichotomous scale in Parboteeach *et al*., (2010) to a 5-point Likert scale because previous studies by Givon and Shapira (1984) and Srinivasan and Basu (1989) have found that item reliability improved when moving from dichotomous rated items to 5 or 7-point Likert scale.

To measure empowerment, 15 questions from Niehoff, Moorman, Blakely *et al*. (2001) were adopted. Examples of the questions posed included, "My manager wants me to get involved when I see a need and not wait to be told or given permission", "My manager helps me remove roadblocks" and "My manager inspires me to do more than I thought I could". The reliability of this measurement scale was 0.95 (Niehoff *et al*., 2001). To measure the level of trust in the respondent's organization, seven questions where included in the third section. The questions were originally developed in the study by Schoorman and Ballinger (2006). Two

examples of the questions selected are, "My supervisor keeps my interests in mind when making decision" and "I would be willing to let my supervisor have complete control over my future in this company". The reliability of this measurement scale was 0.84 (Schoorman and Ballinger, 2006).

The organization's ethical climate was measured in the fourth section of the questionnaire and were adopted from Victor and Cullen (1988). There were nine questions in total, of which three were used to measure egoism-local climate, two to measure benevolence-local climate and the remaining four questions were related to principle-local climate. The questions used to measure egoism-local climate were, "People in this organization are expected to do anything to further the company interest", "People in this organization are concerned with the company's interest to the exclusion of all else" and "Work is considered substandard only when it hurts the company's interests". Two examples of questions measuring benevolent-local climate were "The most important concern in this organization is the good of all the people in the company" and "Our major consideration is what the best is for everyone in the company". To measure principled-local climate, the questions posed were, "Everyone is expected to stick by company rules and procedures here" and "It is important to follow the company rules and procedures here". The reliability of the ethical climate questions ranged from 0.66 to 0.78 (Parboteeah *et al*., 2010).

Sample Size and Data Collection Procedure

Klang Valley was chosen as the research background because it produced 38.64% of the country's GDP and supplied 28.33% of Malaysia's total labour force (Department of Statistics, 2014). The total working population in the Klang Valley was 3,716,782 employees (Department of Statistics, 2014.) The sample size required for this study was 384 (http://www.surveysystem.com/sscalc.htm) based on a 95% confidence level and 5% confidence interval. The authors wrote to the Companies Commission of Malaysia for a list of companies registered with them and was given a list of 450 companies. Since the number of respondents required was 384, questionnaires were sent to all 450 companies to be distributed to their employees. The questionnaire pack sent to the company's human resource manager included a cover letter, a postage paid envelope (for the return of the questionnaire to the researchers) and two copies of the questionnaire. The target respondents were either executives or managers in the company. A total of 158 questionnaires were returned after the one month data collection period, representing a 32% response rate. Followed up call made to the companies did not yield further questionnaires. Of this total, only 150 questionnaires could be used for the data analysis as eight of the questionnaires had sections there were incomplete.

Pre-Testing

The questionnaire was written in English and pre-tested on ten executives working in organizations located in the Klang Valley. During the pre-testing, the participants were encouraged to ask questions as this would facilitate amendments of the questionnaire if there was any ambiguity. The results of the pilot test showed there were no problems in relation to the wording of the measurement items and the questions were comprehensible.

Analysis

The frequency of all the variables was examined to ensure data-entry errors did not cause inaccuracy in the analysis. Descriptive statistics were used to report the demographic background of the respondents. To address the objectives of this study, we used multiple regression analysis to examine the influence of communication, empowerment and trust on the organization's ethical climate.

RESULTS

Respondent Demographic Profile

Table 2 provides the demographic profile of the 150 respondents. Of the 150 respondents, majority were females (63.3%) and males represented only 36.7%. The respondents were spread across different age groups spanning 25–55 years of age. Most held at least a diploma. Executives comprised 46.7% of the respondents, 40% were junior or middle management and 9% were senior management. The majority of the respondents were involved in the finance and banking sector (27.3%), followed by manufacturing (16%), wholesale and retail trade (12.7%), construction (9.3%), education (9.3%), hotels and restaurants (4%), transport, storage and control (3.3%) and agriculture (1.3%). Of the remaining, 16.7% were from miscellaneous sectors which included government departments. More than half the respondents had worked in the current organization for more than one year and the majority of organizations had an ethical code of conduct and conducted ethical training or programmes at least once a year. 72% of the organizations had an ethical code of conduct while approximately 19% of the respondents were unsure whether their organization had one. In terms of ethical training or programmes, 58% of the organizations in the study had some kind of ethical training or programme in place while 31% did not. 11% of the respondents replied they were unsure whether their organizations had any ethical training or programmes.

Table 2 Respondent Demographic Profile (N=150)

Variables	%	Variables	%
Gender		No. of years in current company	
Male	36.7	Less than 1 year	27.3
Female	63.3	1–3 years	49.3
		4–6 years	20
Age		7–9 years	2.0
Under 25	37.3	10 years and above	1.4
26– 40	61.3		
41–55	1.4	Does your organizations have any ethical codes of conduct?	
		Yes	72.0
Education		No	8.7
PhD	1.3	Unsure	19.3
Master	16.7		
Bachelor	68.7	Does your organization conduct ethical training or programmes?	
Diploma	8.0	Yes	58.0
		No	30.7
Others		Unsure	11.3
Job level	5.3		
Upper	6.0		
Middle	18.0	Frequency of ethical training or programmes	
Junior	22.0	None	36.7
Executive	46.7	1–2 times	42.7
Others	7.3	3–4 times	14.0
		> 5 times	6.6

Reliability Results

Cronbach's alpha test of reliability was conducted to determine the reliability of the multi-item scales. Four items from the sections of communication, trust, egoism-local climate and principled-local climate were deleted to increase the reliability of these variables. The statements of the items deleted are shown in Table 3. The reliabilities for the questionnaire ranged from 0.70–0.92 (Refer Table 3). Since the reliability of the all the measurements were 0.70 and above, the six scales used for the study were deemed reliable for use in subsequent analysis, as indicated by George and Mallery (2001) and Nunnally (1978). Excellent reliability is said to exist at $\alpha > 0.90$, good reliability at $\alpha > 0.80$ and acceptable reliability at $\alpha > 0.70$ (George and Mallery, 2001).

Table 3 Reliability results

Variables	No. of items after deletion	Cronbach's alpha	Number of items deleted	Statements of deleted items
Communication	4	0.72	1	There is an intranet or information system to facilitate information sharing in my organization.
Empowerment	15	0.92	0	
Trust	6	0.75	1	I would be willing to let my supervisor to have control over my future in this company.
Egoism ethical climate	2	0.70	1	Work is considered substandard only when it hurts the company's interest.
Benevolence ethical climate	2	0.74	0	
Principle ethical climate	3	0.81	1	Successful people in this company go by the book.

Regression Results

To address the objectives of this study, the hypotheses were tested using multiple regression analysis to examine the relationships between communication, empowerment, trust and organizational ethical climates. The multiple regression results are presented in Table 4.

Based on Table 4, the three hypotheses testing egoism-local climate as the dependent variable on communication, empowerment and trust, that is hypothesis H1a, H2a and H3a were not supported at the $p<0.05$ level. These three variables accounted for 7.8% of the variance in egoism-local climate as indicated by the adjusted R^2. H1a hypothesised that communication was negatively related to egoisim-local climate, whereas hypothesis H2a proposed that empowerment was negatively related to egoisim-local climate and hypothesis H3a hypothesised that trust was negatively related to the egoism-local climate. These results seemed to

indicate that in organizations with egoism-local ethical climate, communication, empowerment and trust would not have a significant influence on the organization. Hypothesis H1b which posited that communication was positively related to the benevolent-local climates and hypothesis H1c which proposed that communication was positively related to principled-local climate were also not supported at $p<0.05$. The betas obtained were 0.078 and 0.109 respectively. Based on the results obtained from the regression analysis, it can be concluded that communication did not play an important role in any of the three ethical climate types.

Table 4 Regression results

Dependent variable	Independent variable	Standardised coefficient	t value	Adjusted R^2
Egoism	Communication (H1a)	0.145	1.548	0.078
	Empowerment (H2a)	0.151	1.443	
	Trust (H3a)	0.107	1.187	
Benevolence	Communication (H1b)	0.078	0.892	0.19
	Empowerment (H2b)	*0.248	2.524	
	Trust (H3b)	*0.243	2.878	
Principle	Communication (H1c)	0.109	1.156	0.064
	Empowerment (H2c)	0.078	0.733	
	Trust (H3c)	*0.194	2.135	

*Significant at $p>0.05$

Hypothesis H2b which stated that empowerment was positively related to benevolent-local climate was supported at $p<0.05$ level and in the expected direction ($\beta = 0.248$). However, hypothesis H2c which proposed that empowerment was positively related to the principled-local climate was not supported at the $p<0.05$ level. With regard to hypothesis H3b which stated that trust was positively related to the benevolent-local climate, the results in Table 4 showed the hypothesis was supported at $p<0.05$ level and the beta obtained was 0.243. Communication, empowerment and trust accounted for 19% ($R^2 = 0.19$) of the variance in the benevolent-local climate. The significant and positive relationship of empowerment and trust on benovelent-local climates means that both these variables encouraged benevolent-local climates. Hypothesis H3c which posited that trust existed in a principle-local climate was supported at $p<0.05$ level and the beta obtained was 0.194. Communication, empowerment and trust accounted for only 6.4% of the variance in principled-local climate.

DISCUSSION

The paper set out to examine the possible effects of communication, empowerment and trust on organizational ethical climates, that is egoism-local, benevolent-local and principled-local. A total of nine hypotheses relating communication, empowerment and trust to an organization's ethical climate were presented in this study. Empowerment had a significant influence on benevolent-local climates while trust had a significant influence on both benevolent and principled-local climates. Communication did not have a significant influence on any of the three ethical climate types. All three variables of communication, empowerment and trust did not have a significance influence on an egoistic-local climate. The results of this study provide a number of insights.

Empowerment was positively and significantly related to a benevolent-local climate, suggesting that empowerment would encourage a more benevolent ethical climate. This result matched those observed by Parboteeah *et al*. (2010), Filipova (2009) and Butts *et al*. (2009). Employees who were empowered believed that they were trusted and supported by the organization which was the reason they had been given the autonomy to make decisions on behalf of the organization (Butts *et al*., 2009; Conger and Kanungo, 1988). As a result, empowered employees were more likely to take ownership of their jobs (Chan, Taylor and Markham, 2003) and held themselves accountable for their actions (VanSandt and Neck, 2003). This in turn would result in the employee engaging in benevolent behavioural responses and attitude toward the well-being of others and the organization (Parboteeah et al., 2010).

The results of this survey also showed that trust was positively and significantly related to benevolent-local ethical climate and principled-local climate, suggesting that trust can encourage these two climates. This was consistent with the findings of Butts *et al*. (2009), who stated that when employees believed they were trusted by the company, manager or superior, they were more likely to consider the interests of others. Ruppel and Harrington (2000) concluded that the lower the benevolence in the work climate, the lower the trust within the organization because sharing common goals and opinions were less likely to happen. On the other hand, employees in a principled-local climate were more likely to obey and follow codes and rules when making decisions. Consequently, trust would then result because employees were convinced that the organization or their superiors were behaving in a fair and respectful manner, in line with the prescribed rules and regulations that have been established in the organizations.

It was particularly interesting to note that communication did not have a significant influence on any of the three ethical climate types. This could be due to

the reason that Asian cultures tend to use high-context communication in which the information is either presented in the physical context or internalized in the person, with very little information actually coded and transmitted in a message (Hall, 1976). In general, employees from high context cultures would employ indirect verbal communication (Gudykunst and Nishida, 1986). As such, the employees in this study may look to other cues such as the actions of their managers or top management to determine the ethical expections of the organizations. Perhaps it is the case of "actions speak louder than words" where employees look to the actions of their managers to provide them with what is deemed acceptable behaviour in the organization, rather than on written (formal codes of conduct) or oral communication (e.g. meetings and discussions) used in the organizations.

IMPLICATIONS OF STUDY

The results of this study expand the understanding of the factors that can influence an organization's ethical climate, as there are a limited number of similar studies in the literature. The present study raises the possibility that trust and empowerment are important variable in influencing the ethical climate of an organization. The focus of the study was the Klang Valley in Malaysia and the responses to the questionnaire survey confirmed there was a significant positive relationship between trust and benevolent-local and principled-local ethical climates. This was in line with existing research on trust and ethical climates (e.g. Brien, 1998; Butts *et al*., 2009; Hosmer, 1995; Kaptein, 2011; Ruppel and Harrington, 2000). However, an unexpected outcome was that the respondents did not consider communication important in influencing an organization's ethical climate. This seemed to imply the employees may not place importance on communication to shape the ethical climate of their organization. Instead, empowerment and trust were seen as more important than communication.

In terms of managerial aspects, there are two implications that practitioners can derive from the results of this study. First, the results demonstrated there was a significant positive relationship between empowerment and benevolent-local climate, which was in agreement with studies by Filipova (2009) and Parboteeach *et al*. (2010). This implied that empowerment could actually help to foster a benevolent-local climate. Managers could empower their staff through promotions, increased authority or practiced job enrichment which would be beneficial in building a benevolent ethical climate in the organization. These practices would nurture a sense of reciprocation in their subordinates, which in turn would elicit a benevolent-local climate in the organization. The more empowerment there was within an organization, the more likely a benevolent-local ethical climate would

develop. Second, the findings of this study also showed there was a significant positive relationship between trust and benevolent-local and principled-local climates. This indicated that trust contibuted to the development of a principled-local climate, as well as fostered a benevolent-local climate. Managers could, therefore, built trust in the organization to stimulate the desired type of ethical climate. The organization can promote trust through team building and ethical trainings and also through the aspect of how human resources are managed, that is, by integrating the values and principles at all levels in each stage of the lifecycle of an employee within the organization including the hiring process, training, promotion and remuneration.

CONCLUSION

Although this study was only conducted on 150 managers and executive, the results confirmed empowerment and trust as important factors in the benevolent ethical climate. Furthermore, trust was also an important factor in the principled ethical climate. Taken together, these findings seem to suggest that when an organization would like to stimulate a benevolent ethical climate, promoting empowerment and trust between employees is necessary. On the other hand, when an organization would like to elicit a principled-local ethical climate, the aspect of trust between employees is essential. Thus, when an organization establishes and maintains empowerment and trust, it is able to manifest a benevolent or principled local ethical climate.

Finally, two limitations need to be considered in conjunction with this study. The first is the location of the study. Being limited to only executives and managers from organizations located in the Klang Valley limits its generalizability to other geographical regions. This study should be repeated on employees from other states in Malaysia and extended to employees around the Asean region to increase the generalizability of the results. Secondly, there may have been a tendency for respondents to give socially-desirable responses. To overcome this in future questionnaire studies, it would be prudent to add a social desirability measurement as part of the measurement items in the questionnaire.

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