

Corporate Social Responsibility, Ethical Leadership, and Trust Propensity: A Multi-Experience Model of Perceived Ethical Climate

S. Duane Hansen¹ · Benjamin B. Dunford² · Bradley J. Alge² · Christine L. Jackson²

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Abstract Existing research on the formation of employee ethical climate perceptions focuses mainly on organization characteristics as antecedents, and although other constructs have been considered, these constructs have typically been studied in isolation. Thus, our understanding of the context in which ethical climate perceptions develop is incomplete. To address this limitation, we build upon the work of Rupp (Organ Psychol Rev 1:72–94, 2011) to develop and test a multi-experience model of ethical climate which links aspects of the corporate social responsibility (CSR), ethics, justice, and trust literatures and helps to explain how employees' ethical climate perceptions form. We argue that in forming ethical climate perceptions, employees consider the actions or characteristics of a complex web of actors. Specifically, we propose that employees look (1) *outward* at how communities are impacted by their organization's actions (e.g., CSR), (2) *upward* to make inferences about the ethicality of leaders in their organizations (e.g., ethical leadership), and (3)

inward at their own propensity to trust others as they form their perceptions. Using a multiple-wave field study ($N = 201$) conducted at a privately held US corporation, we find substantial evidence in support of our model.

Keywords Corporate social responsibility (CSR) · Ethical leadership · Ethical climate · Trust propensity · Trust · Justice · Fairness

Introduction

Ethical climate has been defined as “stable, psychologically meaningful perceptions members of organizations hold concerning ethical procedures and policies existing in their organizations and organizational subunits” (Wimbush et al. 1997, p. 1705; Schneider 1975). Today, most scholars agree that employee ethical climate perceptions, the fundamental building blocks for representation of a shared ethical climate (e.g., Ostroff et al. 2013), are not simply a result of employees' impressions about random “bad apples” in organizations, but rather, are a function of the overall contextual environment in which employees are embedded (Mayer et al. 2009). Moreover, ethical climate perceptions form a powerful contextual influence, and represent what Ostroff et al. (2013, p. 652) and other climate scholars refer to as a “higher-order social structure—a socially interactive context within which individuals operate and which highlights the behaviors and responses that are expected, supported and rewarded” (see also, Ferris et al. 1998; Schneider et al. 2011). Consequently, it's essential to understand how employees form ethical climate perceptions.

That ethical climate is a function of context has been traced to Victor and Cullen (1988) who wrote that

✉ S. Duane Hansen
sdhphd@gmail.com; shaunhansen1@weber.edu

Benjamin B. Dunford
bdunford@purdue.edu

Bradley J. Alge
algeb@purdue.edu

Christine L. Jackson
jackson2@purdue.edu

¹ John B. Goddard School of Business & Economics, Weber State University, 3848 Harrison Blvd., Ogden, UT 84408, USA

² Krannert Graduate School of Management, Purdue University, 403 W. State Street, West Lafayette, IN 47907, USA

“organizations are social actors responsible for the ethical and unethical behaviors of their employees” (p. 101). Victor and Cullen’s (1988) insight was ground breaking because it implied that organizations could take actions not only to improve ethical climate perceptions, but also to improve their employees’ ethical behavior. Scholars now widely agree that ethical climate is not only a function of context but a part of context (Arnaud and Schminke 2012; Martin and Cullen 2006; Treviño et al. 1998; Victor and Cullen 1988). Thus, ethical climate is both influenced by context and is a contextual influence itself.

Over the last 30 years, a rich stream of inquiry on ethical climate has developed in the business ethics literature (Martin and Cullen 2006; Mayer et al. 2009). Research has shown that perceptions of ethical climate are associated with numerous positive outcomes at the individual (i.e., job satisfaction, organizational commitment, ethical employee behavior) and organizational level (i.e., efficiency, social responsibility, organizational learning, and performance—see Mayer et al. 2009). Moreover, an impressive body of knowledge has identified various antecedents of ethical climate. For example, evidence suggests that ethical climates are shaped by firm age (Neubaum et al. 2004), department structure (Wimbush et al. 1997), organizational type and structure (Brower and Shrader 2000), and organization specific factors such as organizational history (Victor and Cullen 1988). However, research has also identified a few individual determinants of ethical climate perceptions, including gender (Dawson 1992), age (Luthar et al. 1997) and moral values (Herndon et al. 1999).

Despite widespread recognition that ethical climate perceptions are contextually defined, and a mature body of research identifying various antecedents of ethical climate at multiple levels of analysis, we argue that this research has two important limitations. First, it has largely taken an isolated, *single actor* approach to understanding how employee ethical climate perceptions are formed. For example, extant research has identified organizational and individual antecedents of ethical climate perceptions, but these have primarily been investigated in isolation and have disproportionately focused on organizational level antecedents (Mayer et al. 2009). Yet, the social context that drives employee perceptions is much broader than the organization itself (Victor and Cullen 1988). For example, the organizational justice literature has shown that employee perceptions are influenced by how the actions of multiple parties impact multiple targets—both internal (De Cremer and Van Hiel 2006) and external to the organization (Dunford et al. in press). Second, a widespread assumption in the ethical climate literature is that organizational actions are the principal antecedents of ethical climate. However, employee perceptions of ethical climate may be driven by many factors aside from organizational

actions (Victor and Cullen 1988). We argue that the ethical climate literature has not fully investigated the *process* by which ethical climate perceptions develop and has tended to focus on individual actors (such as the organization) rather than on multiple actors concurrently. This limitation has been reflected in prior studies, which have almost exclusively employed cross-sectional designs, limiting causal inference (see Mayer et al. 2009).

We propose that a more complete understanding of the development of ethical climate perceptions can be gained by considering the complex web of actors that define the social context employees work in, including organizations, organizational leaders, and the employees themselves. We also propose that further research is necessary to understand *how* and *when* employee ethical climate perceptions vary. To that end, in this paper, we draw on Rupp’s (2011) “employee-centered experience model” of organizational justice and social responsibility, which specifies that employees’ justice experiences in the workplace are determined by employees *looking in* to see how fairly they themselves are being treated in the workplace (i.e., multi-foci justice and overall justice), *looking around* to see how fairly others within the organization are being treated (i.e., justice climate), and *looking out* to see how fairly external parties outside the organization are being treated (i.e., third-party justice and corporate social responsibility (CSR)). Extending this model to ethical climate perceptions, we argue and empirically demonstrate that ethical climate perceptions develop as employees look *outward* at how communities are impacted by organizational actions, *upward* to make inferences about the ethicality of their leaders, and *inward* at their own propensity to trust others. We call this a “multi-experience model” of ethical climate development.

Our model makes several important contributions to the literature. First, it advances the ethical climate literature by suggesting that corporate social responsibility (CSR) perceptions influence employee inferences about leaders and that these inferences play an important role in the formation of ethical climate perceptions. Second, our model explains *how* and *when* employees perceive their work climates to be ethical which offers greater precision to the dominant paradigm in the literature which is that organizational actions lead directly to ethical climate perceptions. Third, by drawing on Rupp’s (2011) multi-experience justice model as the primary basis for our theoretical framework, we help to link aspects of the CSR, ethics, justice, and trust literatures—literatures that have historically involved closely related principles and processes pertaining to organizations (Rupp 2011; Hansen et al. 2013). Applying the multi-experience model allows us to advance the ethical climate literature by simultaneously considering multiple actors in the process by which employees form ethical climate perceptions including

the organization, its leaders, and the employees themselves. This helps to integrate previous research on ethical climate perceptions, which has tended to study actors within the social context in isolation. Moreover, by incorporating multiple actors in our model, we deepen our understanding of the context in which such perceptions develop.

Specifically, in the sections that follow, we hypothesize that employees develop perceptions of ethical climate by looking outward at their organization's CSR activity, upward at the ethicality of their organization's top management, and inward at their own propensity to trust others. We also hypothesize that ethical leadership perceptions mediate the relationship between employee CSR perceptions and employee ethical climate perceptions—suggesting that employee perceptions about leadership ethicality are based—at least in part—on their perceptions about their organization's CSR activity. We further hypothesize that employee inferences about their leaders' ethicality depend on employee propensity to trust. A basic assumption underlying our model and hypotheses is that because people want to be able to understand their environment, they constantly seek information—including contextual information from a variety of sources—to help them find patterns and make sense of their work environment (Lord and Maher 1993; Festinger 1957). With these objectives in mind, we improved upon prior studies by collecting data at multiple time points and controlling for previous perceptions of ethical leadership to provide support for the hypothesized direction of effects variables in our model (see Fig. 1).

Looking Outward: Employee CSR Perceptions

In this section, we argue that employees *look outward* at their organization's CSR activity and process this information as a contextual influence which in turn impacts their perceptions of their organization's ethical climate. CSR is the term used to capture an organization's intent, beyond the pursuit of profit, to effect positive community change through policies and actions directed toward people outside of the organization (see Aguinis 2010). Examples of CSR include ethics initiatives, donations to charities, and community outreach programs (Albinger and Freeman 2000). Research has confirmed that employees pay careful attention and respond to what their organizations do when it comes to CSR (Hansen et al. 2011). Prior behavioral research has suggested that focusing research on perceptions about CSR is often more useful than focusing on actual, objective CSR because of the fact that psychologically, people tend to judge and act based on their perceptions more reliably than on objective reality (see Ajzen 1991; Balmer et al. 2007; Fishbein and Ajzen 1975; Hansen et al. 2011; Riordan et al. 1997). Indeed, prior research suggests that CSR perceptions impact a variety of employee attitudes and behaviors, including identification with the organization (Glavas and Godwin, 2013), trust in/social exchange with organizational leadership (Hansen et al. 2011, 2013), commitment to the organization (Collier and Esteban 2007; Hansen et al. 2011), and citizenship behaviors directed at the organization (Hansen et al. 2011). However, although this research has established a variety of employee-level consequences of CSR perceptions, it has to

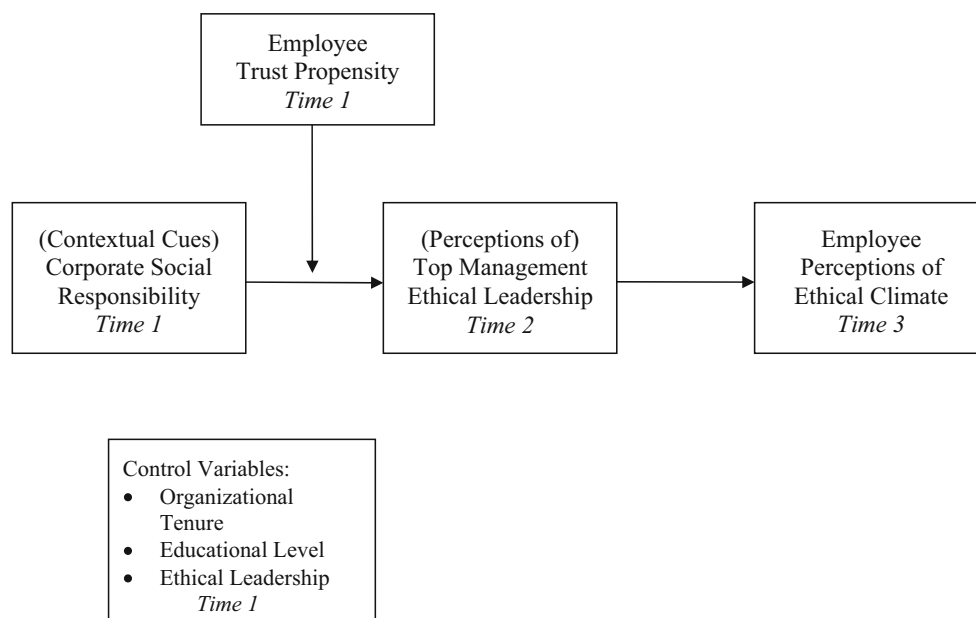


Fig. 1 A multi-experience model of ethical climate perception

date never considered how these perceptions might affect perceptions of ethical climate. Similarly, although research on ethical climate (and employee perceptions of ethical climate) has identified a few organizational and environmental antecedents (e.g., type and structure of organization and industry and national/regional culture—see Mayer et al. 2009 for a review), no study has yet examined employee CSR perceptions as an antecedent (Mayer et al. 2009). Yet, recent theorizing by Rupp (2011) and others (e.g., Hansen et al. 2011) suggests that a link between employee CSR and ethical climate perceptions is likely.

Rupp's (2011) "employee-centered model of organizational justice and social responsibility" posits that employees continually scan their environments—in all directions—for information that will help them comprehend the contextual reality of their work environment. Specifically, Rupp (2011) suggests that employees process information about the justice of top management actions (justice research focuses mainly on fairness as an antecedent of employee attitudes and behaviors—see Colquitt 2001), along with cues about the organization's CSR activity, to make judgments about their employer and to help them make sense of and develop opinions about their work environments. Drawing on the justice and CSR literature (see Folger et al. 2005; Hansen et al. 2011), then, we suggest that employees *look outward* to observe how their organization treats people outside of the organization—via CSR activities and initiatives—and process this information internally, almost as if the CSR activity were directed toward themselves.

Research on third-party justice shows that employee reactions to organization actions directed toward third parties may be just as strong as if the actions were directed toward themselves (see Rupp 2011; Hansen et al. 2011; De Cremer and Van Hiel 2006; Skarlicki and Kulik 2005). Thus, drawing on Rupp's (2011) model, we suggest that, similar to perceptions of justice and fairness, CSR perceptions are important contextual cues employees use to determine what is going on around them. We argue that CSR activity, which improves the welfare of people outside the organization, is likely to cause employees within the organization to feel that they work in ethical work climates because socially responsible actions by the organization signal to employees that their organization does the right thing by having the welfare of others in mind. This logic is reinforced by research on cognitive consistency, which suggests that people desire consonance or consistent patterns in the information they are presented with about their environments (Festinger 1957). In this context, as employees form positive perceptions about their organization's CSR activity by "looking outward" at the informational cues available, it follows that these perceptions will be correlated with their overall perceptions about how the organization and its members follow policies and

procedures which correspondingly have, as their primary purpose, the welfare of all stakeholders. We therefore hypothesize as follows:

H1 Employee CSR perceptions will be positively related to employee perceptions of ethical climate.

Looking Upward: Ethical Leadership Mediation

We further develop our multi-experience model of ethical climate by proposing that in addition to looking outward, employees also *look upward* at their organization's top management to make sense of the ethical climate of the organization. In doing so, we argue that employees infer information about the ethicality of their leaders based on what they can observe—including contextual cues such as perceptions about CSR activity—and that these observations in turn guide their ethical climate perceptions. Ethical leadership has been defined as "the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making" (Brown et al. 2005, p. 120). Per Brown et al. (2005), leadership ethicality is best considered from the employee perspective. However, organizational justice research suggests that information about leaders, particularly top management, is often scarce or ambiguous (Lind, 2001; Lind and Van den Bos 2002). When employees have limited sources of information, they make sense of their environment by using the contextual information available to them to form impressions about the character and intentions of their organization's leaders and the organizations as a whole (see Lind 2001; Lind and Van den Bos 2002). Recent theoretical (Lavelle et al. 2007) and empirical (Hansen et al. 2013) researches have also confirmed that employees are attuned to their organization's actions and that those actions are used by employees to assess the character of the organizational leaders responsible for these actions.

Drawing on Rupp's multiple-experience logic, we posit that an organization's CSR activity can serve as a powerful contextual cue for employees to draw inferences about their organization's leaders' character and intentions. Indeed, by inferring that leaders themselves are ethical, employees have a mechanism that helps explain witnessed CSR activity. As employees seek to rationalize why their organization engages in CSR, a natural outcome of this process is the judgment that top organizational leaders (the people that ultimately control the things that affect employees) are in fact ethical. After all, the idea of having unethical leaders leading a socially responsible organization (or vice versa) is inherently inconsistent. In fact, contextual cues about an organization's CSR activity can in turn shape impressions of senior management because it is

usually assumed that senior leaders are responsible for developing and implementing their organization's CSR activities (see Rupp et al. 2006; Hansen et al. 2013). Given that executive leaders have a considerable influence on an organization's ethical practices (Weaver et al. 1999), it stands to reason that CSR perceptions represent an important criterion upon which employees evaluate a corporation's leaders' ethical leadership.

In the case of CSR, a leader's ethical principles and values are communicated to employees through the organization's treatment of external parties (Rupp et al. 2006), which ultimately shapes employee perceptions of ethical climate. As such, a leader's trustworthiness may be inferred from the organization's CSR practices. Rupp (2011) argues that when information is lacking about whether or not to trust their employers, as may be the case with top management leaders, CSR activity "may be used much like "in-house" justice judgments, as a proxy for trust (see p. 84)." Indeed, trust has played a pivotal role in theoretical models of organizational justice and has consistently been found to be an outcome of organizational justice (Dirks and Ferrin 2002; Lind 2001; Lind and Van den Bos 2002). More recently, research has found that CSR perceptions are directly related to employee trust in top management (Hansen et al. 2011). In addition, theory on ethical leadership (see Brown et al. 2005) suggests that both trust and fairness perceptions play vital roles in the formation of employee perceptions about their leaders' ethicality and the organization's ethical climate.

Thus, we argue that employee perceptions of CSR activity will lead to increased employee perceptions of top management's ethical leadership and ethical climate. Previous research has linked ethical leadership to ethical climate (Shinn 2012; Mayer et al. 2010) and otherwise supported the notion that employees tend to *look upward* at their organizational leaders in order to make sense of their situation (Rupp 2011). We therefore argue that upward looking perceptions of the ethicality of leaders are directly associated with ethical climate perceptions. Specifically, drawing on the multi-experience model (Rupp 2011), we hypothesize that

H2 Employee impressions of top management ethical leadership will mediate the relationship between employee CSR perceptions and employee ethical climate perceptions.

The Moderating Role of Employee Propensity to Trust

In this section, we advance our multi-experience model of ethical climate by considering an additional actor—the employee. Specifically, we contend that in addition to

employees looking outward at an organization's treatment of external others (e.g., CSR) and upward at the ethicality of an organization's leadership, employees *look inward* at their own perceptions of the social context to form ethical climate perceptions. Research has confirmed that people interpret contextual information differently depending on their own individual differences and tendencies and what their past experiences have been (Rupp 2011; Festinger 1957). Thus, as an important part of our multi-experience model of ethical climate, we reason that the effects of CSR perceptions on top management ethical leadership are not universal, but vary across individuals, according to individual differences and a variety of similar individually specific variables. In fact, CSR research suggests that people with different values and personalities think about CSR differently (Mason and Mudrack 1997; Kim and Kim 2010; Ramasamy et al. 2010). Thus, our model also explains *for whom* the effect of CSR perceptions on ethical climate perceptions are most impactful. Although the model suggests that a variety of moderating variables, especially in the form of individual differences, might be possible, for purposes of this study, we focused on propensity to trust as a probable moderating variable.

Employee propensity to trust refers to an employee's dispositional tendency to trust or their willingness to become vulnerable to the actions of other people (Mayer et al. 1995). Employees with a strong propensity to trust are more willing to take risks based on others because they generally tend to trust others more (Mayer et al. 1995). Trust propensity is known as an especially relevant antecedent of trust in contexts where the trustor does not know the trustee very well (Bigley and Pearce 1998; Colquitt et al. 2007), and this is regularly the context that exists when considering the relationship between the executive officers (trustees) of large organizations and the rank and file employees (trustors) of those organizations.

We reason that the effects of CSR perceptions on perceptions of ethical leadership are dependent on how employees interpret the motives for CSR. Empirical research indicates that a common concern pertaining to CSR activity involves the motive behind the CSR activity (see Groza et al. 2011; Ellen et al. 2006). Specifically, stakeholders often wonder, "is CSR merely an insincere, financially driven scheme to 'look good' or does it truly reflect the beneficent character of an organization and its top organizational leaders?" Drawing on the trust literature, we suggest that employees who have a strong propensity to trust are more likely to infer from the CSR information at their disposal that the organization's actions are due to the sincere concern and integrity—or ethical leadership—of its top management.

According to the Mayer et al. (1995) model of trust, trustworthiness is an important determinant of trust. In the case of top management leaders, employees tend to have little direct interaction and thus must infer the trustworthiness of leaders from third party sources and distal observations. Trustworthiness can be inferred from CSR activity (e.g., how justly the organization treats the environment and community—see Rupp et al. 2006) and empirically CSR has been linked to trust in top management (Hansen et al. 2011). When information about the trustworthiness of a trustee is inadequate, as is frequently the case with executive leaders, trust propensity can enhance the effect of trustworthiness factors such that it takes on a moderating effect (Mayer et al. 1995; Lord and Maher 1993). Recent empirical support for the moderating effect of trust propensity can be found in the justice literature (Colquitt et al. 2006) and prior research suggesting that individuals who have a strong tendency to readily trust others are more likely to sincere rather than insincere motives (Alge et al. 2004). We propose that individuals high in trust propensity may tend to perceive motives for CSR activity as sincere, and thus are more likely to believe that CSR activity is due to the ethicality of top management leaders:

H3 Subordinate propensity to trust will moderate the relationship between CSR perceptions and employee perceptions of top management ethical leadership such that this positive relationship will be stronger when subordinates' propensity to trust is high.

The Conditional Effect of CSR Perceptions on Perceptions of Ethical Climate

Continuing the line of reasoning developed in support of our previous hypotheses, it is constructive to consider our overall multi-experience model as hypothesized. Our overall model suggests that employee perceptions of CSR activity will influence their perceptions of ethical climate by way of their perceptions of top management ethical leadership and depending upon how much employees tend to trust others. With the objective of obtaining more precise and confirming information about this overall “moderated mediation” model, we seek to utilize recent developments in mediation analysis techniques (i.e., the “Mod-Med” SPSS Macro—see Johnson and Neyman 1936; Preacher et al. 2007), which allow for a more exact examination of the conditional indirect effects of CSR perceptions on ethical climate perceptions for specific values of the moderator variable (propensity to trust). Specifically, using the Mod-Med tool, we hypothesize as follows:

H4 The conditional indirect effect of CSR perceptions (mediated by ethical leadership perceptions) on ethical

climate perceptions will be increasingly positive for increasingly positive values of propensity to trust.

Method

Sample and Procedure

Participants were recruited from all levels (i.e., management, scientists, field staff, etc.) and departments of a medium-sized private organization in the Eastern United States. This corporation was ideal for testing the relationships in this study because it focuses its services on environmental sanitation and improvement (because of the nature of this company's mission, we felt its employees would be particularly attuned to issues of social responsibility and ethics). Sample respondents were, on average, 36 years old with 1–2 years of college education. Participants' mean job tenure was approximately 5 years and organizational tenure, 8 years. Participants were 37 % female, and all participants were permanent, full-time employees. Ninety-one percent of participants were Caucasian, but represented a broad range of career positions.

In order to establish temporal precedent and chronologically separate our antecedent (CSR perceptions) and moderator variable (propensity to trust) from our mediator variable (top management ethical leadership) and our outcome variable (ethical climate perceptions), participants completed three separate surveys, with a 3–4-week pause in between. Respondents were guaranteed anonymity, and participation was strictly voluntary. During the first survey period (time 1), antecedent and moderator variables were measured. During the second period (time 2), our mediator variable was measured. During the final period (time 3), our outcome variable was measured. The first survey had a 59 % email response rate; the second had a 46 % response rate; and the final survey had a 40 % response rate, thereby resulting in a final sample size of $N = 201$.

Measures

Corporate Social Responsibility (CSR) Perceptions

We measured CSR perceptions using Albinger and Freeman's (2000) four-item scale. We used this subjective, self-report measure rather than an external, objective rating of CSR because we wanted to directly capture employees' *perceptions* of how strongly they viewed their employer on this variable (we are viewing CSR in this study as a contextual source of information that impacts employee perceptions and behaviors). Participants rated their organization's performance (1 = *very poor*, 5 = *very good*) on the following four dimensions: community

outreach programs and charitable giving, diversity management (including representation of women and minorities, as well as family benefits programs), workplace and employee (e.g., employee relations), and protection of the natural environment. Reliability for this measure was acceptable ($\alpha = .77$).

Ethical Leadership

We assessed top management's ethical leadership using Brown et al.'s 2005 ten-item measure. Because we were seeking to understand how employees viewed their top managers' ethical leadership, respondents rated the "top management team" of their organization on ethical leadership (1 = *strongly disagree* and 5 = *strongly agree*) using the following ten items: "listens to what employees have to say," "disciplines employees who violate ethical standards," "conducts his/her personal life in an ethical manner," "have the best interests of employees in mind," "make fair and balanced decisions," "can be trusted," "discuss business ethics or values with employees," "set an example of how to do things right in terms of ethics," "defines success not just by results but also by the way that they are obtained," "when making decisions, asks 'what is the right thing to do.'" Reliability for this scale was excellent ($\alpha = .93$).

Propensity to Trust

We measured employees' propensity to trust other people using the 8-item measure reported in Mayer and Davis (1999). Respondents rated the extent to which they agreed with the following eight statements (1 = *strongly disagree* and 5 = *strongly agree*): "one should be very cautious with strangers," "most experts tell the truth about the limits of their knowledge," "these days you must be alert or someone is likely to take advantage of you," "most salespeople are honest in describing their products," "most people answer public opinion polls honestly," "most adults are competent at their jobs," "most people can be counted on to do what they say they will do" and "most repair people will not overcharge people who are ignorant of their specialty." Reliability for this measure was acceptable ($\alpha = .70$).

Employee Ethical Climate Perceptions

We measured employee ethical climate perceptions with an adapted version of a 3-item scale developed by Mayer et al. (2013). We chose this measure because it required respondents to measure their perceptions regarding the ethical climate perceptions of the employees around them, reducing the possibility of socially desirable responses and

strengthening the validity of the study. Items asked about the ethicality of employees in one's organization, including whether employees "support [me] in following [my] company's standards of ethical climate perceptions," "carefully consider ethical issues when making work-related decisions," and "overall, [whether] my coworkers set a good example of ethical business behavior." The scale ranged from 1 (*strongly disagree*) to 5 (*strongly agree*). Reliability for this measure was excellent ($\alpha = .92$).

Control Variables

We controlled for two variables that are known to be associated with ethical leadership and/or unethical climate perceptions (Gephart et al. 2008; Mesmer-Magnus and Viswesvaran 2005). Educational level was controlled for and coded as a categorical variable (1 = < some high school; 2 = high school degree; 3 = some college; 4 = 2 year degree; 5 = 3 year degree; 6 = bachelor's degree; 7 = some graduate work; 8 = master's degree; 9 = PhD/MD/JD). In addition, we controlled for organizational tenure and coded it as follows: (1 = < 1 year; 2 = 1–5 years; 3 = 6–10 years; 4 = 11–15 years; 5 = 16–20 years; 6 = 21–25 years). Consistent with existing guidelines (Kline 2005), control variables, although categorical, were treated as continuous variables.

We also controlled for ethical leadership at time 1 with the objective of strengthening the causal inference possible in our study. Brown et al.'s 2005 ten-item measure was used for this measure as well. The time 1 (control) measure of ethical leadership had a reliability of .94 (see Table 1). Note: this control variable—time 1 ethical leadership—was used in a prior study published in the *Journal of Business Ethics*, but all other variables in this study are novel.

Results

Descriptive Statistics

The descriptive statistics and correlations among study variables are shown in Table 1 with α -coefficients for reliability shown on table diagonals. Significant and positive zero-order correlations among study variables provided initial support for study hypotheses.

Hypotheses Tests

Given our sample size and the number and nature of parameters in our model, our hypotheses were best tested using hierarchical regression with bootstrap and "Mod-Med" (see Preacher et al. 2007; Preacher and Hayes 2008) analyses. Our first hypothesis was that CSR perceptions

Table 1 Means, standard deviations, and intercorrelations for study variables

Variable	M	SD	1	2	3	4	5	6	7
Time 1									
1. Educational Level	3.77	1.10	–						
2. Organizational tenure	3.66	1.46	.01	–					
3. CSR perceptions	3.78	.71	–.01	.04	<i>.77</i>				
4. Employee trust propensity	2.92	.51	.06	.12	<i>.18**</i>	<i>.70</i>			
5. Top Management ethical leadership	3.39	.74	.10	.05	<i>.56**</i>	<i>.20**</i>	<i>.94</i>		
Time 2									
6. Top management ethical leadership	3.34	.73	<i>.21**</i>	.02	<i>.51**</i>	<i>.21**</i>	<i>.77**</i>	<i>.93</i>	
Time 3									
7. Employee perceptions of ethical climate	3.78	.70	<i>.24**</i>	–.03	<i>.20**</i>	.14	<i>.37**</i>	<i>.35**</i>	<i>.92</i>

$N = 201$ with listwise deletion of missing data. Scale reliabilities appear along the diagonal in italics

* $p < .05$ (two-tailed); ** $p < .01$ (two-tailed)

Table 2 Results of multiple regression analyses (Testing Hypotheses 1–2)

	Step 1: employee perceptions of ethical climate	Step 2: top management ethical leadership	Step 3: employee perceptions of ethical climate
Controls			
Education	<i>.24**</i>	<i>.21**</i>	<i>.17*</i>
Tenure	–.04	.01	–.04
Independent variable			
CSR Perceptions	<i>.20**</i> (H1 supported)	<i>.52**</i>	<i>.04</i> (full mediation)
Mediator			
Top management ethical leadership			<i>.32**</i> (H2 supported)
R^2	<i>.10**</i>	<i>.31**</i>	<i>.17**</i>
F	<i>7.08**</i>	<i>29.11**</i>	<i>9.75**</i>

Standardized regression coefficients

$N = 201$ with listwise deletion of missing data

* $p < .05$ (two-tailed); ** $p < .01$ (two-tailed)

would be positively related to employee ethical climate perceptions within the organization. Regression analysis provided support for this hypothesis ($\beta = .20$, $p < .01$; $R^2 = .10$, $p < .01$).

Our second hypothesis was that employee perceptions of top management ethical leadership would mediate the relationship between CSR perceptions and employee ethical climate perceptions within the organization. To test for mediation, we followed Baron and Kenny's (1986) general procedure (see Table 2). The first step was to regress the dependent variable (employee ethical climate perceptions) on the independent variable (perceived CSR) and the control variables (see Step 1 results in Table 2). CSR perceptions were significantly and positively related to employee ethical climate perceptions ($\beta = .20$, $p < .01$; $R^2 = .10$, $p < .01$), meeting the first requirement for mediation.

In the second step, we regressed the mediator (top management ethical leadership) on the independent variable (CSR perceptions) and the control variables (see Step 2 results in Table 2). CSR perceptions was significantly and positively related to top management ethical leadership ($\beta = .52$, $p < .01$; $R^2 = .31$, $p < .01$), thus meeting the second requirement for mediation and confirming support for hypothesis 1. Since we were able to collect ethical leadership at time 1 and time 2, we also regressed ethical leadership at time 2 on CSR (time 1) while controlling for ethical leadership at time 1 (we collected ethical leadership at both times 1 and 2). Results ($\beta = .12$, $p < .05$) indicated that, even when controlling for ethical leadership perceptions at time 1, CSR perceptions at time 1 predicted ethical leadership perceptions at time 2, strengthening the assumed direction of causation in this study (please note that

Table 1 includes information about ethical leadership collected at both time 1 and time 2—including the stability correlation between the two).

In the third and final step of our mediation analysis, we regressed the dependent variable (employee ethical climate perceptions) on the independent variable (CSR perceptions) and the mediating variable (top management ethical leadership) together with the control variables (see Step 3 results in Table 2). In the presence of top management ethical leadership, CSR perceptions was no longer a significant predictor of employee ethical climate perceptions ($\beta = .04, p < .01; R^2 = .17, p < .01$), suggesting a fully mediated relationship. This outcome provided support for our second hypothesis.

Our third hypothesis was that employee propensity to trust would moderate the relationship between CSR perceptions and employee perceptions of top management ethical leadership. Moderated multiple regression was used to test this hypothesis, which predicted a two-way interaction between CSR perceptions and trust propensity such that the positive relationship between CSR perceptions and perceptions of top management ethical leadership would be stronger if subordinates' trust propensity were high. The main effects of CSR perceptions and trust propensity were entered into the first step of the regression, and the two-way interaction term was entered into the second step. Component variables in the hypothesized interaction were centered and the interaction term was based on these centered scores (Aiken and West 1991). As reported in Table 3, the interaction between CSR perceptions and trust propensity was significant ($\Delta R^2 = .02, p = .01$). Figure 2 illustrates the nature of the interaction. Tests of simple slopes indicated that the relationship between CSR perceptions and top management ethical leadership was significant for both high ($t[197] = 7.66, p < .01$) and low ($t[197] = 3.93, p < .01$) levels of trust propensity. Thus, in support of hypothesis 3, the relationship between CSR perceptions and top management ethical leadership was significant for a range of levels of trust propensity, but the relationship was significantly more positive for higher levels of trust propensity than for lower levels.

Our fourth hypothesis supplemented previous hypotheses by considering our entire model together and examining the conditional (depending on employee levels of trust propensity) indirect effects of CSR perceptions on employee ethical climate perceptions by way of perceptions of top management ethical leadership. To test this moderated mediation model, we used Preacher and Hayes (2008) "Mod-Med" SPSS Macro (see Preacher et al. 2007). This procedure, based on the work of Johnson and Neyman (1936), allowed for an examination of independent variables' (CSR perceptions) indirect effects on the dependent variable (employee ethical climate perceptions), by way of ethical leadership perceptions, for varying values (-1 SD, Mean, and +1 SD) of trust propensity. Results indicated that as employees had stronger propensities to trust (-1 SD, Mean, and +1 SD), conditional effects were correspondingly stronger (.12, .19, and .22—with non-zero 95 % confidence intervals, respectively, see Table 4), providing support for our fourth hypothesis.

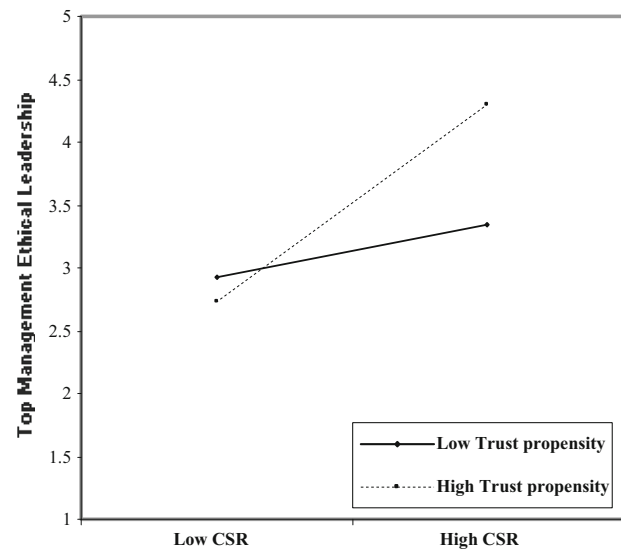


Fig. 2 Trust propensity moderation

Table 3 Moderated multiple regression of CSR perceptions on top management ethical leadership

	Top management ethical leadership	
	β	ΔR^2
(1) CSR	.49* (.06)	
Trust propensity	.13* (.09)	.28*
(2) CSR perceptions \times Trust Propensity	.15* (.12)	.02*
Total R^2		.30*

N = 201

SE estimates listed in parentheses

* $p < .05$ (two-tailed)

General Discussion

Although there is a growing body of research showing the positive effects of ethical climate on individual and organizational outcomes (Kish-Gephart et al. 2010; Martin and Cullen, 2006), the complex web of social actors that help shape employees' perceptions of ethical climate have not been fully understood. In this paper, we contribute to the literature by drawing on Rupp's (2011) multiple-experience model and suggest that employees' ethical climate perceptions develop as they look *outward* at their organization's CSR activity, *upward* at the information available to them about their top-level leaders, and *inward* at their own predisposition to trust others.

Our multi-experience framework for understanding ethical climate perceptions was supported: CSR perceptions (measured at time 1), an outward looking measure of an organization's CSR activity, was associated with employee ethical climate perceptions (measured at time 3), and this relationship was fully mediated by employee perceptions of top management ethical leadership (measured at time 2), as employees look upward at their organization's leadership. As also hypothesized, the relationship between CSR perceptions and top management ethical leadership was moderated by employee propensity to trust (measured at time 1), as employees consider their own internal tendencies to trust or not trust. That is, the positive relationship between CSR perceptions and top management ethical leadership was stronger for employees who had a higher propensity to trust. These findings provide a point of departure for future theorizing and research on the links between the different perspectives and experiences that individuals draw upon in forming their ethical climate perceptions.

Theoretical Implications

Our study offers three theoretical contributions to the ethical climate literature. First, by establishing a relationship between CSR activity and ethical leadership our results

elevate the importance of understanding the role these processes are likely to play in the development of ethical climate perceptions. Just as people draw on available fairness information to form judgments of leaders when uncertainty is high, they may also draw on available ethical cues to judge their leaders' ethicality. Unfortunately, judging the ethical behavior of leaders may be even more difficult to judge than fairness transactions because it is not always clear what the right or ethical response is to a situation. Indeed, many ethical situations are framed as dilemmas wrought with uncertainty (Luntley 2003). Thus, it might be hard to judge based on behavior alone whether one is ethical or not. Coupled with the fact that access to top management is often limited (Lind 2001; Lind and Van den Bos 2002), employees may rely on various sources of contextual information to estimate leader ethicality and make overall judgments about ethical climate. The results of this study confirm, for example, that employee perceptions about their company's CSR may directly impact their perceptions of leader ethicality and indirectly impact their perceptions of ethical climate.

Second, our research contributes to the understanding of how and when employees perceive their work climates to be ethical by providing increased perspective to the traditional viewpoint in the literature that organizational actions are primarily responsible for ethical climate perceptions. The results from our test of the multi-experience model suggest that the actions and characteristics of multiple actors within an employee's social context form the building blocks of ethical climate. In other words, we assert that employees' ethical climate perceptions, stem at least from a combination of outward (context), upward (leader), and inward (disposition) factors—all of which contribute to the formation of employees' ethical climate perceptions. Thus, the relative strength of outward, upward, and inward drivers may characterize future research on the development of ethical climate perceptions. For example, when the outward context is particularly strong (e.g., when cues about CSR activity are frequently reinforced), variance in perceptions of ethical climate may be reduced, and

Table 4 Conditional indirect effects of CSR at specific values of trust propensity

Dependent variable	Value of trust propensity	Conditional indirect effect	SE	95 % CI	
				Lower	Upper
Employee perceptions of ethical climate	−1 SD (2.41)	.12*	.04	.04	.22
	Mean (2.92)	.19*	.05	.09	.32
	+1 SD (3.43)	.22*	.06	.11	.36

$N = 201$

Based on 100,000 bootstrap samples

Conditional indirect effect tests one-tailed

* $p < .05$

consequently, a greater ethical climate may result. Similarly, as employee diversity increases, inward focused constructs (e.g., propensity to trust) will likely vary more, leading to less convergence on ethical climate perceptions.

Third, by using Rupp's (2011) multi-experience justice model as the basis for our theoretical framework, our research links key aspects of the CSR, ethics, justice, and trust literature. Specifically, the model tested in this study integrates justice and CSR literature by positing that employees process informational cues about CSR—just as they would process justice-related cues—in order to make judgments about the justness and trustworthiness of top management and to help them make sense of their work environments (e.g., ethical climate) (Rupp 2011; Colquitt 2001). Thus, whereas trust is a key attribute determining employee perceptions top management ethicality (Brown et al. 2005; Rupp 2011), the effects of CSR perceptions on perceptions of ethical leadership are dependent on what employees infer about top management's motivation for investing in CSR. Specifically, employees with a strong propensity to trust are more likely to infer from CSR information that organizational actions are due to the sincere concern and integrity—or ethical leadership—of top management.

Practical Implications

Practically, organizations may benefit if they can increase awareness of positive CSR initiatives. Our research shows that when employees see their organizations as acting in socially responsible ways, they are likely to view top management as more ethical and to see their organizational climate as more ethical. Trevino et al. (2000) note that it may not be enough for managers to behave morally. According to Trevino and colleagues, managers must *manage* morally, meaning they must actively promote ethics in the organization. Those who guard their organization's reputation can serve as symbolic 'moral managers' by actively highlighting contextual cues that communicate the ethical actions of the organization and its leaders. This study provides evidence that contextual information about CSR activity may be one cue that employees may draw upon in judging both the ethics of their leaders and the ethical climate of their organization. Therefore, with the objective of improving employee perceptions of ethical climate, organizations should proactively communicate the ethical and socially responsible initiatives that their organizations are engaged in, and the reasons why, so that employees are keenly aware of what actions their organizations are taking to promote socially responsible behavior. These communication initiatives may become even more important when top-level leaders are less accessible to employees, as might be the case in larger organizations.

Limitations and Future Research

Although the findings of our research were consistent with theory and our expectations, certain limitations give rise to several opportunities for future research in addition to those already mentioned. First, this study was unable to definitively determine the direction of causation between the CSR perceptions and top management ethical leadership. In considering this limitation, besides temporally distancing our data, which (Mayer *in press*) notes is especially needed in the ethical climate literature, we conducted a post hoc analysis by regressing ethical leadership at time 2 on CSR (time 1) while controlling for ethical leadership at time 1 (we collected ethical leadership at both times 1 and 2). Results of this analysis ($\beta = .12, p < .05$) indicated that even when controlling for ethical leadership perceptions at time 1, CSR perceptions at time 1 predicted ethical leadership perceptions at time 2. These results are consistent with our hypothesized model, however, future research using longitudinal and/or experimental research designs would allow for specific tests of causal direction.

Second, whereas all study variables were acquired via surveys administered to employees, this study's results may have been affected to some degree by same-source bias. However, we sought to address this concern by following the direction of Podsakoff et al. (2003) and temporally distancing our data—which increased the realism of the research; variables were collected at distinct, sequential points in time (CSR perceptions and trust propensity were collected at time 1, ethical leadership at time 2, and perceived ethical climate at time 3). We also ran a Harman's single factor test (Harman 1967) with confirmatory factor analyses on our variables, which suggested that same-source bias was not a major problem.

Third, as is the case with most field studies, results may not generalize beyond our sample organization. Although the only known study of ethical climate comparing different industries found no differences across industry (Forte 2004), future research should extend the multi-experience framework by considering other experiences and examining other contexts (e.g., companies that aren't in the business of social responsibility). Sampling a single organization did allow us to control for important, pertinent organizational differences (e.g., culture/climate). However, our approach is also a limitation insofar as it caused us to speculate about how organization-level variables such as organizational size and culture might affect variables studied in this research (i.e., nature of CSR activity, ethical leadership, and employee perceptions of ethical climate). CSR's internal impact will vary depending on the outcomes in question and the specific contexts in which the leadership processes occur.

Fourth, the factors we examined in our multi-experience model represent only a subset of constructs that would satisfy the "inward," "upward" and "outward" requirements of our

multiple-experience model. For example, although we focused on propensity to trust for our model's "inward" requirement, we could have considered other variables germane to the nomological context of our study. For example, research has confirmed that people tend to possess spectrums of "justice scopes" ranging from narrow to broad (see Boeckmann and Tyler 1997). That is, people tend to be more affected by the unjust treatment of others especially if those "others" are within their scope, moral community or in-group (e.g., same community, company, religion, profession, etc.). Justice scopes would be an example of another "inward" factor that might influence ethical climate perception development. It is also possible that employee perceptions are based on expectations formed as a result of institutional pressures to conform (see Meyer and Rowan 1977). If employees believe that most firms in the same industry as their employer are engaging in certain, specific CSR initiatives but their employer is not, the discrepancy alone may account for some variance in their ethical climate perceptions. In sum, future research should examine additional constructs that may represent other "outward" (e.g., organizational, top management and even societal-level variables) and "upward" (e.g., top management trustworthiness, behavioral integrity, etc.) sources of information to advance our understanding of the social context that shapes ethical climate perceptions.

Future research may additionally build upon our study by integrating complimentary insights regarding behavioral motives from the CSR, trust, justice, and ethics literatures. For example, the justice and CSR literatures have identified three motives that address why employees should care about how their employers treat them: instrumental (a self-interest motive), relational (a group-value motive), and moral (Cropanzano et al. 2001; Rupp 2011). Within the ethical climate literature, Victor and Cullen (1988) have identified three similar criteria for ethical reasoning that explain why (underlying motives) organizations act ethically—instrumental (self-interest), benevolent (concern for others), and deontological (morality). Within the trust literature, Mayer et al. (1995) suggest that trust is dependent upon (or motivated by) perceptions of benevolence, integrity, and ability. An exploration of these behavioral motives from across these disciplines may yield additional contextual insights about how ethical climate perceptions develop and how they impact meaningful outcomes.

Conclusion

In this study, we present a theoretical model that links employee CSR perceptions with perceived ethical climate by way of top management ethical leadership (mediation). We empirically test this model using a field sample, examining CSR perceptions as an independent variable, top

management ethical leadership as a mediating mechanism, and perceived ethical climate as an outcome variable. We also examine employee trust propensity as a moderator of the association between CSR perceptions and impressions of ethical leadership. Results confirmed that perceived CSR is indeed associated with perceived ethical climate and that this relationship is fully mediated by employee perceptions of top management ethical leadership. Results also suggest that employees who have a strong tendency to trust others are more likely to form more positive impressions of top management ethical leadership as a result of CSR inferences. As such, the findings of this study provide a theoretically significant point of departure for future theorizing and research on the links between employee perceptions of organization-level CSR activity and their perceptions of ethical climate.

Perceived ethical climate, an individual level judgment that is the building block for understanding ethical climate, is a function of the actions and characteristics of multiple actors within the employee's social context. Individuals form these judgments by looking *outward*—considering the CSR activity of their organization, *upward*—forming impressions of the ethical behavior of the leaders, and *inward*—considering their propensity to trust and to believe that CSR activity reflects positive management intentions. The practical implications of these connections are potentially useful to managers seeking to improve the ethical climate within their organizations.

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