

Running Title: Ethical Climate in Korean Tourism Industry

**Full Title: Perceptions of the Ethical Climate in the Korean
Tourism Industry**

**** Please review under 'International Management' section****

Abstract

This study investigates the ethical climate types presented in the Korean tourism industry, the differences in the perceptions of ethical these climate types based on individual/organizational characteristics, and the influence of ethical climate types based on job satisfaction/ organizational commitment. Empirical findings of this study identify six ethical climate types and demonstrate significant difference and significant influence of the proposed relationships. This research contributes to the existing body of academic work by using empirical data collected from 820 respondents across 14 companies within the Korean tourism industry to demonstrate the relationship between actual ethical climate types and ethical climate related factors. The findings of this study identify the new factor ‘moral caring’, which describes an environment characterized by decisions that maximize collective interest but based on an individual employee’s personal values and ethics. Such a factor has important implications for the service industry, where face to face encounters typify the relationship between employee and consumer.

KEY WORDS: ethical climate; job satisfaction; organizational commitment; tourism industry; Korea

Introduction

The Korean service industry including travel constituted 56.3 percent of the country's total Gross Domestic Product (GDP) in 2005, a percentage that has increased continuously since 1970. Yet, the total cumulative losses of the Korean service industry, reached US\$10.6 billion during just seven months period from January to July in 2006, the second highest figure among the top 37 economies in the world (MFE, 2006). Principally responsible for the poor performance in the Korean service industry has been the tourism industry. The losses within the tourism industry itself accounts for over 50 percent of the total losses in the whole Korean service industry. Lee (2006) identifies this worsening financial imbalance as one of the most serious problems facing the Korean economy. According to the MFE (2006), the main cause of this poor performance in the tourism industry is the low and unsatisfactory service quality of domestic travel and leisure industries. As a result, Korean tourists seek to enjoy better service quality abroad. Research carried out by the Korean National Tourism Organization (KNTO) identified poor service quality of employees as a major issue among officially received tourist's complaints (KNTO, 2006). This paper argues that poor service quality can be seen as an ethical challenge for the Korean tourism industry, and hence for the economy as a whole.

Wong (1998) argues that because of the high levels of customer contact within service industries, customer satisfaction hinges on achieving high ethical standards and appropriate behavior by employees. Thus, the most effective way to improve service quality levels in the industry is to encourage employees directly to act ethically through their own initiative. Yet, employee's ethical behavior can be also be positively influenced by the creation of a positive ethical environment within the

company rather than relying on the strength of each individual employee's ethical values (Reilly and Kyj, 1990). Therefore, a strong ethical model at the company level would be of value to induce the desired employee ethical outcome within the organization. In line with this view, a company should focus on creating an appropriate ethical climate that reinforces the ethical behavior of its employees.

Current research exploring organizational ethical climate has tended to focus on just a few industries. Moreover, when considering the tourism industry, which links strong ethical elements to controversial business issues such as the policy of deliberately over-booking, employing traditionally high levels of part time and 'up selling' (Hall, 1992), studies have only focused on lodging companies among the various tourism fields (Upchurch and Ruhland, 1996; Upchurch, 1998a, 1998b). Further, these studies employed only simple statistical methods and limited analysis.

Victor and Cullen (1987, 1988) and Cullen *et al.* (1993) have developed an analytical tool, the 'ethical climate typology', which has been widely used in academic circles and replicated by others (Dickson *et al.*, 2001; Fritzsche, 2000). Malloy and Agarwal (2003) found that an ethical climate in organization is influenced by individual and organizational characteristics, while the impact of the ethical climate upon various forms of organizational performance has also been demonstrated. In particular, studies have shown a significant relationship between ethical climate in an organization and job satisfaction (Deshpande, 1996; Joseph and Deshpande, 1997; Koh and Boo, 2001; Schwepker, 2001), and organizational commitment (Cullen *et al.*, 2003; Schwepker, 2001).

While research has been conducted to characterize the predominant types of ethical climate (Fritzsche, 2000; Peterson, 2002), very little empirical research has been done into business ethical issues in Asian countries like Korea. Most research into business ethics has been carried out as a way of explaining this phenomenon in (advanced) Western countries (Koh and Boo, 2001). Yet, given the cultural differences that lead to differences in ethical attitudes (Sims, 2006) any such research findings would not necessarily apply to the, likely, unique Korean/Asian case model.

With the above general problem in mind, the purposes of this can be defined as follows: 1) to determine the types of ethical climate presented in the Korean tourism industry; 2) to assess the difference in perception of ethical climate types on individual and organizational characteristic; 3) to assess the relationship between ethical climate types and job satisfaction; 4) to assess the relationship between ethical climate types and organizational commitment.

Organizational ethical climate

The ethical climate in an organization has been described as '*the shared perceptions of what is ethically correct behavior and how ethical issues should be handled*' (Victor and Cullen, 1987, p.51-52). Indeed, earlier research rests heavily on a body of work on organizational ethical climates by Victor and Cullen (1987, 1988) and Cullen *et al.* (1993). This has been borne out by the strength of their system of ethical climate type classification, the so-called 'ethical climate typology,' and their development of an Ethical Climate Questionnaire (ECQ), both of which have been widely used

(Dickson *et al.*, 2001; Fritzsche, 2000). FIGURE I shows Victor and Cullen's (1988) nine theoretical ethical climate types according to a two-dimensional typology.

INSERT FIGURE ONE ABOUT HERE

The first dimension represents the ethical criteria used for decision-making inside an organization. 'Egoism' is characterized by decisions intended to maximize self-interest, 'benevolence' is characterized by decisions that aim to maximize joint interest, while 'principle' is characterized by decisions, which adhere to rules, laws and standards in the normative expectations of a social unit. And the second dimension represents the locus of analysis used as a reference point in ethical decisions. The individual level refers to the use of the self as referent for moral reasoning. The local level, the most common referent group, is the organization. Finally, the cosmopolitan level refers to sources of professional association.

As Peterson (2002) pointed out, there are distinctively different results from existing empirical studies. However, Peterson (2002), Dickson *et al.* (2001) and Fritzsche (2000) argue that the nine ethical climate types presented by Victor and Cullen are still the most convincing and most widely used (Cullen *et al.*, 2003; Deshpande, 1996; Koh and Boo, 2001; Malloy and Agarwal, 2003; Joseph and Deshpande, 1997; Peterson, 2002; Vaicys *et al.*, 1996). Accordingly, this study will use Victor and Cullen's model as the main theoretical basis for this analysis.

This work has also drawn on what little earlier work exists that covered ethical climate in the tourism industry. In a study of general managers and managers or

owners of lodging industry, Upchurch and Ruhland (1996) and Upchurch (1998a; 1998b) simply tried to examine which ethical criterion and locus of analysis were the most notable from the results. No attempt was made to identify what specific types of ethical climates existed, as this study will do.

Ethical climate and job satisfaction

Job satisfaction is defined as *'an individual's positive emotional reaction which results from the person's comparison of actual outcomes with those that are desired, anticipated or deserved in a particular job'* (Oshagbemi, 1999:388). Thus, Dailey and Kirk (1992) regard job satisfaction as a potentially decisive factor with regard to absenteeism and staff turnover, and hence can strongly influence organizational performance (Babin and Boles, 1996; West and Patterson, 1998). Job satisfaction is especially important in the tourism industry because the face-to-face service encounter is produced and consumed at the same time and in the same place, removing the quality control safeguards possible in a manufacturing industry. Yet the multifarious nature of these encounters introduces uncertainty and variation in terms of service delivery. This can result in high levels of stress and strain because employees strive to meet conflicting demands that come from both management and customers (Babin and Boles, 1996; Schnider, 1980).

Several empirical studies have shown that employee job satisfaction is related to their perception of the ethical climate within an organization. In a study of middle managers at a large non-profit organization in America, Deshpande (1996) found that a *'professional'* and *'caring'* climate had a positive influence on job satisfaction, and

an *'instrumental'* climate had a negative influence on job satisfaction. Joseph and Deshpande (1997), studied nurses in an American large non-profit hospital, who felt that their hospital had a *'caring'* and *'rules'* climate, tended towards more job satisfaction. But when a driven *'efficiency'* climate was induced they became less satisfied with their jobs. A more recent study of managers enrolling in an MBA program in Singapore shows that a *'principled'* climate is positively related to job satisfaction (Koh and Boo, 2001). Schwepker's (2001) study of salespeople found that the more salespeople perceived an organizational climate to be emphasizing ethical rule, the higher their reported levels of job satisfaction.

The above research demonstrates a direct relationship between organizational ethical climate and job satisfaction. However, the biggest shortcoming of previous studies is in providing only limited criteria on ethical climate types. Deshpande (1996), Joseph and Deshpande (1997) have borrowed ethical climate types from previous studies e.g., caring, rules, efficiency, professionalism, instrumental and independence, while Koh and Boo (2001) have adopted simplistic ethical climate types based on only ethical criteria e.g., egoistic, benevolent and principled.

Schwepker (2001) put the focus on a specific single ethical climate type (rules) rather than considering the ethical climate types presented within an organization. Yet, these studies must be viewed within the context of little empirical research on the relationships between ethical climate and job satisfaction. Studies have tended to focus on the cases of developed countries (particularly the US) and a limited range of industries.

To address the limitations of these previous studies, it is necessary to investigate the relationship between the actual ethical climate types and job satisfaction in organizations outside the US and across other industrial fields, although the generalizability of such studies needs to be recognized . Yet, the study of the Korean tourism industry, which is struggling to come to terms with the need for ethical management, can be insightful at a conceptual, as well as practical level. Thus, this study suggests the first hypothesis:

Hypothesis 1: There is a relationship between ethical climate and job satisfaction in the Korean tourism industry

Ethical climate and organizational commitment

Organizational commitment has been defined generally as *‘a psychological link between the employee and the organization that makes it less likely the employee will voluntarily leave the organization’* (Allen and Meyer, 1996:252). Compared with other variables, such as job satisfaction, organizational commitment is a more stable variable across time. Any high level of organizational commitment on the part of employees is connected to whatever considerable efforts have been made at an organizational level to establish a common set of aims and values within that organization (Angle and Perry, 1981; DeCotiis and Summers, 1987). Lau and Huang (1999) argue, organizational commitment is of particular significance in the tourism industry, which suffers from a high level of staff turnover. This low organizational commitment in turn influences the customer-oriented behavior that is regarded as a significant component for the workers in the tourism industry. Generating a customer-

centered focus has emerged as the prerequisite for gaining market dominance in the tourism industry (Sheth *et al.*, 2000).

Several empirical studies have posited a direct link between an organization's ethical climate and potential organizational commitment. For instance, in a detailed study of salespeople, Schwepker (2001) focused that the more salespeople perceived an organization's climate focused on ethical rule, the higher their reported levels of organizational commitment became. In a study of employees at a telephone company and an accountancy firm, Cullen *et al.* (2003) found that a '*benevolent*' climate has a positive relationship to organizational commitment while an '*egoistic*' climate is negatively related to organizational commitment. The study also indicated that a '*principled*' climate is positively related to organizational commitment for only the professional workers, at the accountancy firm.

Given the above, prior research points towards a relationship between organizational ethical climate and organizational commitment. However, the literature has used simplistic ethical climate types based on ethical criteria (e.g., egoistic, benevolent and principled) (Cullen *et al.*, 2003) or a specific ethical climate type (e.g., rules) (Schwepker, 2001), instead of considering ethical climate types presented within an organization. Also, the limited empirical studies carried out across organizational areas and countries weaken the usefulness of the research body. In order to test and strengthen the above proposed relationship, more sophisticated empirical studies which examine the relationship between actual ethical climate types and organizational commitment are needed, in addition to studies outside the US and across industrial sectors. Hence, this study presents the second hypothesis:

Hypothesis 2: There is a relationship between ethical climate and organizational commitment in the Korean tourism industry.

Methodology

Data collection and sample

This study focused on luxury 5 star hotels, international chain restaurants, travel agencies with the highest sales and Korean airline companies, in order to provide a sample of the Korean tourism industry (DII, 2004; KATA, 2005; MCT, 2004). The researchers initially contacted by telephone the human resource managers for each company to determine if there was a willingness to cooperate with the research. If so, an appointment was made and a face to face discussion convened in order to explain the research and its administration, as well as to gain background information into the company's ethical policies. This approach meant 17 luxury 5 star hotels were contacted, 7 of which were willing to cooperate with the research. 10 international chain restaurants, 5 of which cooperated, 5 travel agencies and both of the two Korean airlines positively responded to this study, ensuring the research was carried out across a sample of 14 of Korea's largest tourism companies.

The administration of the research was conducted by the human resources managers for each company, who were asked to send the questionnaire to employees within the organizations. Responses were returned anonymously by respondents to the human resource manager, and thence to the researchers. A total 820 useable responses were

returned, but as it is impossible to know how many were distributed by the human resource managers, it is not possible to state the response rate.

Measurement

This study used the Ethical Climate Questionnaire (ECQ) developed by Victor and Cullen (1987, 1988) and Cullen et al. (1993). This questionnaire involved 36 items, four for each of the nine theoretical ethical climate types. Respondents were asked to respond to the items based on how it really is inside their company and not how they would prefer it to be. ECQ has been widely used in previous studies to examine ethical climate types in organization (Dickson *et al.*, 2001; Fritzsche, 2000; Malloy and Agarwal, 2003; Peterson, 2002; Vaicys *et al.*, 1996).

To assess an employee's job satisfaction, this study used the Job Satisfaction Questionnaire (JSQ) developed by Schriesheim and Tsui (1980). This questionnaire consists of 6 items that cover: work, supervisor, co-worker, salary, promotion and overall job. JSQ has been used in earlier studies to measure job satisfaction in an organizational context (Cohen, 2005; Tsui and Egan, 1992; Vigoda-Dadot *et al.*, 2003).

To assess an employee's organizational commitment, this survey used 9 items included in an Organizational Commitment Questionnaire (OCQ) developed by Mowday *et al.* (1979). The 9 items in this OCQ consist of positively worded items, OCQ has been used in earlier studies to measure organizational commitment in an organizational context (Cullen *et al.*, 2003; Schwepker, 2001). In addition, a five-

point Likert-type scale, ranging from 1 (strongly disagree) to 5 (strongly agree), was used to measure ECQ, JSQ and OCQ. Demographic information was collected in two parts; the first referred to the characteristics of the individuals concerned, such as gender, tenure, educational level, job status and working department. The second part related to organizational characteristics such as business type and existence of an ethical code.

Data Analysis

Initially, descriptive statistics are used to develop a profile of the respondents and to summarize the variables. Secondly, both the reliability and validity of measures were examined. Reliability assessments were conducted using Cronbach alpha, while validity was reviewed by factor analysis. Thirdly, two analysis techniques were used to test relationship between the variables. One, Multiple Analysis of Variance (MANOVA), was conducted in order to test any possible differences in perception of an ethical climate type based on an individual's or organizational characteristics, then Multiple Regression Analysis was used to identify the extent of influence of different ethical climate types on job satisfaction and organizational commitment.

Results

Descriptive characteristics

The results show that 31.5% (n=258) of the participants were employed in hotels, 25.5% (n=209) in restaurants, 20.7% (n=170) in travel agencies and 22.3% (n=183) in airlines. Respondents were almost equally split between males (n=388, 47.3%) and females (n=432, 52.7%). Most respondents had an educational background of 2 year college (n=283, 34.5%) or a bachelor's degree (n=465, 56.7%). Only a small portion of respondents had high school degree (n=28, 3.4%) or a master's degree (n=44, 5.4%). Regarding tenure, respondents were almost equally divided between under one year (n=148, 18%), one to under three years (n=181, 22.1%), three to under five years (n=162, 19.8%), five to under eight years (n=148, 18%) and over eight years (n=181, 22.1%), showing the method of survey administration achieved a good spread of respondents. As for job status, over three-quarters (n=647, 78.9%) of the participants had a full time job while the remaining respondents (n=173, 21.1%) held part time positions. In terms of where people worked, a large proportion of the respondents (n=575, 70.1%) worked in front office, while a small proportion (n=245, 29.9%) worked in the back office. Slightly less than half of respondents (n=375, 45.7%) are employed in companies with an ethical code.

Factor analysis and reliability

The ECQ's 36 items describing the nine theoretical ethical climate types were factor analyzed using principal components with Varimax rotation. The resulting factor analysis indicates a six-factor solution, as shown in TABLE I . The eigenvalues for the six-factor were all found to be greater than 1, which is considered significant (Hair et al., 1995). These six factors accounted for 58.37% of the variance. However, thirteen items were deleted because their factor loadings scored less than 0.5 for

significance. Cronbach's alpha for evaluating the reliability of the six identified factor constructs is also shown in TABLE I . The reliability value for each construct was greater than of .60, which is considered to be satisfactory level of reliability (Litwin, 1995).

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TABLE I illustrates how the factors identified in the present study relate to the theoretical dimensions of an ethical climate, as proposed by Victor and Cullen (1987, 1988) and Cullen *et al.* (1993). Four of the six identified factors such as '*Efficiency*', '*Self-interest*', '*Law and Code*' and '*Rules*' proved to be consistent with the theoretical dimensions of the ECQ, and empirically proven by earlier studies (Cullen *et al.*, 1993; Malloy and Agarwal, 2003; Fritzsche, 2000; Trevino *et al.*, 1998; Vaicys *et al.*, 1996; Victor and Cullen, 1987, 1988).

However, the '*Team Spirit*' and '*Moral Caring*' factors were a combination of several theoretical dimensions of the ECQ. The '*Team Spirit*' factor was a combination of the two theoretical dimensions of '*Friendship*' and '*Team Interest*'. This was recognized by two earlier studies (Trevino *et al.*, 1998; Vaicys *et al.*, 1996). However, the '*Moral Caring*' factor uncovered was a combination of the four theoretical dimensions of '*Friendship*', '*Team Interest*', '*Social Responsibility*' and '*Personal Morality*'. This factor is a new element that has not been empirically verified by previous studies.

A principle component analysis and a reliability analysis were conducted on job satisfaction and organizational commitment. Six items of job satisfaction resulted in a

one-factor solution with 53.50% of the variation explained. The Cronbach's alpha was 0.822, which was taken as an adequate indicator of reliability. Seven items of organizational commitment resulted in a one-factor solution with 61.48% of the variation explained, while two items with factor loadings of less than 0.5 were deleted. This scale reflected a satisfactory level of reliability with Cronbach's alpha 0.893.

Multiple Analysis of Variance (MANOVA) results

Results of the MANOVA according to individual characteristics such as gender, education, tenure, job status and department are shown in TABLE II. In the analysis by gender, the results of this MANOVA indicate that male and female differ significantly in only '*Moral Caring*'. A significant difference was shown between high school, 2-year college, BA and MA degree course people on '*Self-Interest*' and '*Law and Code*'. There was a significant difference shown across all lengths of tenure on '*Moral Caring*', '*Self-Interest*' and '*Law and Code*'. Also, a significant difference was seen between those in part-time employment and those in full time employment with respect to '*Moral Caring*', '*Self-Interest*' and '*Law and Code*'. A significant difference can be reported between those working in distinctive departmental roles - front office and back office – with regard to '*Team Spirit*', '*Efficiency*' and '*Rules*'.

INSERT TABLE TWO HERE

The results for the MANOVA by organizational characteristics, in terms of the existence of an ethical code and business type are reported in TABLE II. In the

analysis by existence of an ethical code, there was a significant difference in only the perception of '*Self-Interest*'. With regard to business type, there was a significant difference in the perception of '*Moral Caring*', '*Law and Code*' and '*Rules*'.

Multiple regression analysis results

To test Hypothesis 1, job satisfaction was regressed with regard to ethical climate type. TABLE III presents the result of this analysis. As suggested in Hypothesis 1, there is a significant relationship between an employee's perception of their organization's ethical climate and job satisfaction. Specifically, the new factor '*Moral Caring*' had a positive influence on all facets of job satisfaction, while '*Team Spirit*' was positively related to work, co-worker, promotion and overall satisfaction. Both '*Law and Code*' and '*Rules*' had a positive influence on work, supervisor, co-worker, and pay satisfaction and '*Law and Code*' was seen to be positively related with overall satisfaction. '*Rules*' is positively related with promotional satisfaction. On the other hand, '*Efficiency*' and '*Self-Interest*' had a negative influence on satisfaction with supervisor and co-worker.

INSERT TABLE THREE HERE

To test Hypothesis 2, organizational commitment was regressed in terms of an ethical climate type. The result of the regression is shown in TABLE III. As suggested in Hypothesis 2, there is a significant relationship between an employee's perception of their organization's ethical climate and organizational commitment. '*Moral Caring*'

and '*Law and Code*' are seen to be positively related to organizational commitment and there is a strong relationship between an employee's perception of their organization's '*Moral Caring*' and organizational commitment. Conversely, '*Self-Interest*' is negatively related with organizational commitment.

Implication of findings

This study has identified six different types of ethical climate; '*Moral Caring*', '*Efficiency*', '*Self-Interest*', '*Law and Code*', '*Rules*' and '*Team Spirit*'. In particular, the factor '*Moral Caring*' was newly founded in this current study. By '*Moral Caring*' the study means an environment characterized by decisions that maximize collective interest but based on an individual employee's personal values and ethics. The findings of this study suggest that many tourism industry employees frequently face decisions in situations that depend upon the application of their own ethical standards when performing their jobs and providing services for their customers as Wong (1998) contend. Management support is vital to help employees act appropriately in such an ethical climate.

The survey has shown that the ethical climates identified in this study are differently perceived by employees according to both the characteristics of the individual and the organization. In terms of gender, the sampled males were found to perceive the '*Moral Caring*' ethical climate more than females. Betz *et al.* (1989) contends that males are more concerned with money and advancement, whereas women are most interested in relationships and helping people. So, when male employees are able to behave in line with their own ethical standards, there may be a risk that less ethical

behavior may follow. Therefore, as difficult as it may be to implement, the research shows it may behoove firms to reinforce training programs aimed specifically at promoting ethical behavior of male employees.

In terms of educational standards, the higher the education level found, the higher the perception of '*Self-Interest*' and the lower the perception of '*Law and Code*' exists. In terms of '*Self-Interest*,' research by Mall and Agarwal (2003) found similar results. When related prior research is reviewed, people with higher educational backgrounds tend to be more utilitarian and have a more cynical view of the ethical climate (Luthar *et al.*, 1997). The conclusion from these studies may be that according to the aims of the organization, training programs aimed at highly-educated employees may be of value to assist with controlling inclination away from rules and codes.

In terms of employment tenure, there are differences in employee perception of '*Moral Caring*', '*Law and Code*', and '*Self-Interest*' factors. The study results vary across the five tenure categories assessed. Of particular note, employees with less than a year's tenure have no more than a medium level of perception of '*Law and Code*', the highest level of '*Moral Caring*', and the lowest level of '*Self-Interest*'. Employees between 1-3 years tenure have a low perception of '*Moral Caring*', the highest level of '*Self-Interest*', and the lowest score in terms of '*Law and Code*'. Earlier studies show the longer the tenure, the stronger the ethical attitude (Victor and Cullen, 1988; Verbeke *et al.*, 1996). Therefore, results suggest that special management attention is needed for employees between 1 to 3 years of employment tenure, as they suffer from a higher level of ethical dilemma in decision-making situations.

In terms of job status, it was found that full-time employees have a higher perception of '*Self-Interest*' and '*Law and Code*' and a lower perception of '*Moral Caring*' than part-time employees. Previous study by Tilly (1992) found that managers thought that part-time workers had less experience, lower levels of abilities, lower working standards, and less loyalty to their position and to the company. However, the result of this study shows unappreciated potential of part-time employees as Inman and Enz (1995) contend.

It was found that front-office employees have higher levels of '*Team Spirit*', '*Rules*' and '*Efficiency*' than back-office employees. The reasons behind these results seem to confirm that front-office work requires a closer level of cooperation between team members than do back-office jobs, and that front-office roles require more orthodox and regulated working practices based on an operating manual. In addition, in many ways front office work requires an ability to respond to unexpected events in a professional fashion. Therefore, employees may well perceive ethical situations differently, in accordance to their respective departments.

In terms of ethical code, it was found that employees in a company with an ethical code have a higher perception of '*Self-Interest*' than employees who worked in a company without an ethical code. This finding is not consistent with earlier findings that state that an existence of a corporate code of ethics impacts upon an employee's ethical perception (Adam *et al.*, 2001; Malloy and Agarwal, 2003). In contrast, the greater emphasis placed on '*Self-interest*', in this study can ultimately lead to unethical employee behavior (Peterson, 2002). These results suggest that it is not simply the existence of a code that generates effective outcomes.

In terms of business type, there were differences in the perception of '*Moral Caring*', '*Law and Code*', and '*Rules*' even though they all sell service products within the tourism field. These differences exhibited no specific trends but they did show certain specific characteristics. Where restaurants are concerned, employees seem to have the highest perception of '*Moral Caring*', because most of them work in a direct service job. In the case of travel companies, employees seem to have the highest perception of '*Law and Code*' because they focused on the highly regulated outbound package tour industry. In the case of airline companies, employees seem to have the highest perception of '*Rules*', again, apt as employees are required to strictly follow rules governing airline customer's safety. Employees of hotels were generally found to have a lower ethical inclination than other companies. From this it is possible to conclude that there are some degrees of difference, in terms of ethical perception, depending upon the type of business.

Beyond the differences discussed above, the research found that organizational ethical climate influenced job satisfaction. The study found that job satisfaction increased when '*Moral Caring*', '*Law and Code*', '*Rules*' and '*Team Spirit*' are perceived, but reduce when '*Efficiency*', '*Self-Interest*' is perceived. In general terms, these findings are consistent with previous research in respect of the fact that a benevolent related ethical climate has a positive influence on job satisfaction (Deshpande, 1996; Joseph and Deshpande, 1997), that a principled related ethical climate has a positive influence on job satisfaction (Deshpande, 1996; Joseph and Deshpande, 1997; Koh and Boo, 2001; Schwepker, 2001), and that an egoistic related ethical climate type has a negative influence on job satisfaction (Deshpande, 1996; Joseph and Deshpande,

1997). However, in this study, all the identified ethical climate types were found to have a broad influence on most aspects of job satisfaction.

Interestingly, '*Moral Caring*', newly identified in this study, had the highest positive influence on most facets of job satisfaction. Then, '*Efficiency*', which was the most highly perceived factor from the employee, was found to negatively impact upon supervisor and co-worker satisfaction. The fact that '*Moral Caring*' had the greatest influence on most of facets of job satisfaction indicates that employees may feel job satisfaction when they take appropriate action to meet the demands of the job that their role in the tourism industry requires. Meanwhile, although '*Efficiency*' is the most strongly emphasized facet in the tourism study, the methods used to promote '*Efficiency*' seem to harm the relationship between supervisor and co-worker and stunt the growth of the tourism industry. Therefore, this seems to produce a negative effect instead of the desired one. Consequently, in the drive to improve job satisfaction in the tourism industry, '*Team Spirit*', '*Law and Code*', and '*Rules*' are important but this study suggests '*Moral Caring*' should be given greater priority. Also, '*Efficiency*', which figures prominently in the tourism industry, and '*Self-Interest*' should be reduced.

The research has found that an organizational ethical climate influences organizational commitment. More specifically, this study found that organizational commitment increased when both '*Moral Caring*' and '*Law and Code*' are perceived, but reduces when '*Self-Interest*' is perceived. The findings of this study confirm prior findings of Cullen *et al.* (2003) in respect of the fact that a benevolent related ethical

climate had a positive influence on organizational commitment, and that an egotistical related ethical climate had a negative influence on organizational commitment.

However, the additional contribution of this paper is the positive relationship found between '*Law and Code*' (principled climate with a cosmopolitan referent) and organizational commitment, whereas the previous study, which examined telephone workers, found no relationship between '*principled*' and organizational commitment (Cullen *et al.*, 2003). The study results may be different because the work in telephone offices is not as sensitive to external rules and standards as the work in tourism industry, but it does illustrate the importance of understanding context. The nature of jobs in tourism is keen to issues of external rules and standards such as hygiene law, aviation regulation, travel regulation and relevant international standard. Thus, the '*Law and Code*' factor seems appropriate for the tourism industry.

Another further finding of this research is the effect of the factor '*Rules*'. Although this study found no significant relationship between '*Rules*' and organizational commitment, Schwepker's (2001) study examining salespeople found a relationship between '*Rules*' and organizational commitment. This contrasting result may have occurred because of particular job characteristics in tourism industry. Employees in tourism industry are often faced with unexpected problems not addressed by internal rules within an organization.

Moreover, '*Moral Caring*', which has been newly identified in this study and shows a unique ethical climate in Korea's tourism industry, places a strong influence on improving organizational commitment as well as job satisfaction. This indicates that

the employees may be demonstrating organizational commitment when taking appropriate action to meet the demands of their day-to-day work in the tourism industry, as described above. In fact, employees frequently face unexpected situations that require their own discretion. The discretion in tourism industry is often closely related with employee's own ethical standards. Therefore, if '*Moral Caring*' is strongly promoted in the tourism industry, results suggest employees would show greater attachment to the organization. Consequently, to improve organizational commitment in the tourism industry, '*Moral Caring*' should be maximized, alongside '*Law and Code*', while '*Self-Interest*' should be minimized.

Finally, there are several recommendations that stem from the findings of this study. These include the fact that an ethical policy should be established and that it should be a core part of the creation of an ethical climate that is a success factor within the tourism industry. In establishing such an ethical policy, factors that maximize job satisfaction and organizational commitment on the part of employees should be considered critical according to the finding of this study. This policy should focus upon the development of standards associated with the creation of a '*Moral Caring*'. An ethical code should be a means of articulating ethical policies. An ethical code is one means of communicating organizational cultural ideals and offers value in attempting to codify abstract ethical thoughts (Stevens, 1997). However, as indicated by the results of this study, a superficial ethical code will not create necessary organizational change (Potts and Matuszewski, 2004). Hence, training programs should be introduced to help employees understand the required organizational ethical standards. Detailed and concrete programs need to be prepared and run in consideration of the individual and organizational characteristics found in this study.

Conclusion

This study sought to establish if ethical climate types are differently perceived by individual and organizational characteristics, and whether ethical climate types are related to organizational performance (job satisfaction and organizational commitment) in the Korean tourism industry. It found that ethical climate consists of six types, and these ethical climate types are partly affected by individual characteristics and organizational characteristics. Furthermore, the results showed that there are relationships between most of ethical climate types and organizational performance.

In theoretical terms, the findings of this study support the usefulness of ECQ. The survey has analyzed the proposed relationship in this study by extracting the actual ethical climate types. Thus, the findings of this study provide more specific and concrete information on ethical climate and ethical climate related factors. In addition, this study extended a research field to a new industry and to an Asian country, neither of which have been studied before. In practical terms, the findings of this study provide practical and useful information for managers or policy-makers in the tourism industry to get better understanding about basic questions of ethical management such as: what types of ethical climate do exist; how does ethical climate types influence job satisfaction and organizational commitment; and how differently is ethical climate perceived by each different individual and organizational characteristics. Furthermore, this study has also suggested some specific possible ways for tourism managers in order to establish a desired ethical climate.

The limitation of this study should be noted regarding the finding of the current study. Firstly, the data was collected from single industry which is tourism, in one country, Korea. Therefore, the generalization of the results must be made with caution, especially in case of applying to different industry or different country. Secondly, the literature review is based primarily on US studies because of lack of previous related researches, even though this study has focused on Korean case. Hence more ethical related researches need to be followed for overcoming cultural limitations of the study.

Finally, this study suggests some further directions for future study. Future studies should look at a wider range of tourism areas. Also, a comparative study of the tourism industry and of another industry such as manufacturing industry, may throw up findings that point to important differences between these industries. Furthermore, a comparative study that included countries which are at different stages of economic development, or perhaps of cultural development, maybe western and eastern nations, may well reveal further important differences in terms of ethical management. Meanwhile, future studies should examine the relationship between an organizational ethical climate, the antecedent factors that make up the rock on which this organizational ethical climate is based, and other consequences such as turnover. Any such extended studies will provide valuable information that will help the creation of an ethical climate that benefits these organizations and results in the improvement of organizational performance.

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		Locus of analysis		
		Individual	Local	Cosmopolitan
Ethical Criterion	Egoism	Self-interest (EI)	Company profit (EL)	Efficiency (EC)
	Benevolence	Friendship (BI)	Team interest (BL)	Social responsibility (BC)
	Principle	Personal morality (PI)	Company rules and procedures (PL)	Law and professional codes (PC)

Note. From 'The organizational basis of ethical work climates' by Victor and Cullen, 1988, Administrative Science Quarterly 33, p.104

FIGURE 1 : Theoretical ethical climate types

TABLE I : Factor analysis and reliability of organizational ethical climate

Factor name and Items*	Factor loading	Factor mean	Cumulative variance explained (%)	Eigen value	Cronbach alpha
Factor 1 : Moral Caring		3.04	13.38	5.74	.79
PI - 22	.73				
BL - 31	.70				
PI - 11	.68				
BC - 28	.67				
BI - 35	.63				
BC - 34	.54				
Factor 2 : Team Spirit		3.50	25.47	2.15	.78
BL - 21	.73				
BI - 16	.71				
BL - 27	.69				
BI - 5	.63				
BL - 12	.62				
Factor 3 : Efficiency		3.87	34.41	1.78	.73
EC - 19	.84				
EC - 2	.72				
EC - 25	.70				
Factor 4 : Self-Interest		2.63	42.67	1.33	.69
EI - 33	.80				
EI - 10	.79				
EI - 1	.68				
Factor 5 : Law and Code		3.72	50.67	1.29	.63
PC - 24	.80				
PC - 13	.67				
PC - 20	.56				
Factor 6 : Rules		3.42	58.37	1.13	.61
PL - 15	.82				
PL - 18	.74				
PL - 23	.51				

* Items numbers correspond to the ECQ item numbers in Cullen *et al.* (1993). And abbreviations refer to ethical dimensions described in Figure 1.

TABLE II : Result of MANOVA by individual and organizational characteristic

Variable		Moral Caring	Team Spirit	Efficiency	Self-Interest	Law/Code	Rules
		Mean					
Gender	Male	3.11					
	Female	2.98					
	<i>F value</i>	10.99					
	<i>p value</i>	.001**					
Education	High School				2.21	3.81	
	2 year college				2.58	3.63	
	BA				2.67	3.77	
	MA				2.79	3.65	
	<i>F value</i>				4.22	3.57	
	<i>p value</i>				.006**	.014*	
Tenure	Under 1 year	3.18			2.49	3.71	
	1 – under 3	2.98			2.73	3.61	
	3 – under 5	3.07			2.72	3.67	
	5 – under 8	2.97			2.55	3.76	
	Over 8 year	3.01			2.62	3.86	
	<i>F value</i>	3.11			3.06	4.35	
<i>p value</i>	.015*			.016*	.002**		
Job Status	Full-time	3.01			2.66	3.75	
	Part-time	3.14			2.52	3.59	
	<i>F value</i>	5.85			4.67	9.65	
	<i>p value</i>	.016*			.031*	.002**	
Department	Front Office		3.55	3.91			3.46
	Back Office		3.39	3.79			3.34
	<i>F value</i>		13.00	5.81			6.65
	<i>p value</i>		.000**	.016*			.010*
Ethical Code	Existence				2.70		
	No existence				2.56		
	<i>F value</i>				6.75		
	<i>p value</i>				.010*		
Business Type	Hotel	2.98				3.68	3.34
	Restaurant	3.17				3.62	3.46
	Travel Agency	3.14				3.83	3.39
	Airline	2.88				3.79	3.52
	<i>F value</i>	10.80				5.06	3.61
	<i>p value</i>	.000**				.002**	.013*

* p < 0.05, ** p < 0.01

Note. It only shows the result of significant difference which is identified.

TABLE III: Result of multiple regressions of job satisfaction and organizational commitment on ethical climates

Independent Variable	β	t	p	Model
Defendant variable : Work satisfaction				
Moral caring	.20	5.47	.000**	R ² = .19
Team Spirit	.17	4.19	.000**	F = 32.36
Law and Code	.15	4.14	.000**	p = .000**
Rules	.10	2.88	.004**	
Defendant variable : Supervisor satisfaction				
Moral caring	.26	7.20	.000**	R ² = .19
Efficiency	-.12	-3.20	.001**	F = 36.64
Self Interest	-.07	-2.15	.031*	p = .000**
Law and Code	.15	4.06	.000**	
Rules	.15	4.31	.000**	
Defendant variable : Co-worker satisfaction				
Moral caring	.105	2.88	.004**	R ² = .18
Team Spirit	.172	4.27	.000**	F = 29.96
Efficiency	-.102	-2.80	.015**	p = .000**
Self Interest	-.099	-2.87	.004**	
Law and Code	.200	5.47	.000**	
Rules	.110	3.13	.002**	
Defendant variable : Promotion satisfaction				
Moral caring	.32	8.72	.000**	R ² = .17
Team Spirit	.08	1.98	.048*	F = 28.22
Rules	.09	2.47	.014*	p = .000**
Defendant variable : Pay satisfaction				
Moral caring	.31	8.22	.000**	R ² = .13
Law and Code	.10	2.75	.006**	F = 20.96
Rules	.09	2.61	.009**	p = .000**
Defendant variable : Overall satisfaction				
Moral caring	.20	5.51	.000**	R ² = .21
Team Spirit	.17	4.17	.000**	F = 35.67
Law and Code	.19	5.40	.000**	p = .000**
Defendant variable : Organizational commitment				
Moral caring	.44	13.60	.000**	R ² = .35
Self Interest	-.08	-2.75	.007**	F = 71.78
Law and Code	.16	4.90	.000**	p = .000**

* p < 0.05, ** p < 0.01

Note. It only shows the result of significant relationship which is identified