

An Empirical Analysis of Organizational Climates and Misconduct

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Abstract

Recent corporate scandals have highlighted the importance of compliance management of organizations. Because of contract incompleteness of within-organization transactions, however, it is impossible to eliminate misconduct simply by establishing a compliance management system. It is important, therefore, to discover the factors generating misconduct in workplaces. Previous studies on this matter have focused on some features of organizational climates, but most of them have failed to demonstrate empirical evidence. This paper utilizes survey research to operationally define the “illegitimate climate” and investigates the relationships between this climate variable and other variables that can be managerially manipulated, including the strength of compliance management. More specifically, this paper models the relationships between the dependent variable of the “illegitimate climate” and those other explanatory variables using a path analysis. The results indicate that the strength of compliance management does not have a very strong influence on this climate, while moral leadership, trust among coworkers, factionalism, and adoption of the pay-for-performance system exert powerful influence.