

The Aftermath of Organizational Corruption: Employee Attributions and Emotional Reactions

Kathie L. Pelletier
Michelle C. Bligh

ABSTRACT. Employee attributions and emotional reactions to unethical behavior of top leaders in an organization recently involved in a highly publicized ethics scandal were examined. Participants ($n = 76$) from a large southern California government agency completed an ethical climate assessment. Secondary data analysis was performed on the written commentary to an open-ended question seeking employees' perceptions of the ethical climate. Employees attributed the organization's poor ethical leadership to a number of causes, including: lack of moral reasoning, breaches of trust, hypocrisy, and poor ethical behavior role modeling. Emotional reactions to corruption included cynicism, optimism, pessimism, paranoia and fear, and were targeted at top leaders, organizational practices (i.e., the old boy network, nepotism, and cronyism) and ethics interventions. Implications for leadership training and other organizational ethics interventions are discussed.

KEY WORDS: corruption, employee reactions, ethical decision making, ethics scandal, unethical behavior

Introduction

Most Americans probably remember precisely where they were and what they were doing when they first learned of the verdicts handed down to former Enron executives Kenneth Lay and Jeff Skilling. For some, the verdicts represented vindication for the employees and shareholders who had lost millions in the Enron debacle. By the time the jurors left the courtroom, journalists had already assembled a panel of former Enron employees – many who had lost their life savings as a consequence of Enron's corruption – to present their reactions to the verdicts. These often-emotional accounts and stories enabled the world to learn firsthand how the actions of Enron's top executives affected the lives of these former employees.

While journalists recognized the significance and appeal of employees' stories about the corruption and its impact on their lives, ethics researchers have for the most part failed to examine the *consequences* of unethical behavior (i.e., fraud, conflicts of interest, bribery) of top leaders, with a specific focus on how organizational corruption affects employees. Although previous research has focused on ethical leadership in the executive ranks, and participants' reactions to unethical behavior as portrayed in scenario-based vignettes (Kanungo and Mendonca, 1996; Mendonca, 2001), we are unaware of any studies that specifically examine employees' reactions to ethical crises that actually occurred in *their own* organizations. Consequently, evaluating employee reactions to corruption at the hands of top leaders serves a useful purpose for increasing our understanding of the human costs of unethical behavior, as well as how organizations can best deal with the aftermath of an ethical scandal.

Kathie L. Pelletier is a doctoral student in the School of Behavioral and Organizational Sciences at Claremont Graduate University, 123 East Eighth Street, Claremont, CA 91711; e-mail: kathie.pelletier@cgu.edu. Her research interests include organizational ethics, ethical leadership, and toxic leadership.

Michelle C. Bligh is an assistant professor of Organizational Behavior in the School of Behavioral and Organizational Sciences at Claremont Graduate University, 123 East Eighth Street, Claremont, CA 91711; e-mail: michelle.bligh@cgu.edu. Her research interests include charismatic leadership, political and executive leadership, and organizational culture.

The highly publicized scandals of Enron, WorldCom, HealthSouth, Tyco, and Adelphia suggest that instances of organizational corruption are increasingly newsworthy. The growing media attention, coupled with the public backlash against the leadership and unethical culture of the organization that ensues, may have serious implications for employees who are not directly involved in the scandal but experience repercussions simply because they are members of the organization. If unchecked, these repercussions can have both direct and indirect effects on organizational and employee outcomes such as organizational commitment, absenteeism, performance, and turnover intentions (Barling and Phillips, 1993; O'Reilly and Puffer, 1989). In instances where the corruption implicates leaders in government agencies, the public outcry is often aimed at the entire organization rather than at individual leaders, and employees at all levels of the organization may feel the effects. Considering these potentially negative outcomes of ethical scandals for *all* employees, research that examines employees' attributions and emotional reactions in the aftermath of corruption is long overdue.

The current study examines employee attributions and emotional reactions to a highly publicized corruption scandal in a county government agency. Seven individuals in the executive leadership ranks, including two who served in the top leadership position and two elected officials, were indicted on numerous counts of bribery (both offering and accepting bribes), fraud, and conflict of interest schemes costing taxpayers tens of millions of dollars. The litigation spanned six years at the time this review was written. Using a qualitative approach, we examine reactions to the ethical misconduct, and analyze employee attributions of the ethical violators and the government agency through the eyes of organizational members who were employed before, during, and after the ethical crisis. We also explore employees' emotional reactions to ethical misconduct and the targets of those emotions, as well as employees' perceptions of organizational politics and aspects of the organization and its leaders that employees perceived as antecedents of corruption.

According to Patton (2002), the most appropriate strategy for exploration, discovery, and development of new theory is inductive analysis. Since we are unaware of any existing models that describe or

classify employee reactions to organizational corruption, we utilized a primarily inductive approach. In this type of analysis, categories and dimensions emerge from the data itself, and those emergent dimensions are presented and subsequently explicated in our review.

In the following section, we provide an overview of the research site and relevant details of the case. We subsequently review relevant literature and existing empirical research on employee responses to ethical scandals, including: (1) the role of leadership role modeling and leader hierarchical level; (2) issues of retributive justice; (3) organizational politics, including nepotism, cronyism, and elitism; and (4) emotional reactions to ethical transgressions.

Case overview

The case agency is a local government agency that was established in the mid-1800s, currently employing nearly 19,000 people. The agency is governed by a board of supervisors comprised of five elected officials who have the responsibility for policy and fiscal oversight, and for approving contracts established by the agency. The agency also has an administrative officer (AO) who functions in a similar capacity as a chief executive officer. The AO position is at-will, reporting directly to the board.

In the latter part of the 1990s, the incumbent AO revealed he was under investigation by the Federal Bureau of Investigation and resigned. The investigation revealed that the incumbent AO and his predecessor, along with other top elected and appointed officials, had been operating a "pay-to-play" scheme. The scheme involved sole-source contracts that, by sheer nature of being sole-source, could charge higher prices than competitive contracts. These types of contracts were being awarded periodically without going to bid and were worth hundreds of millions of dollars. In addition to the approval of sole-source contracts, one AO, upon retirement from the agency, went to work for one of the contractors, kicking back to the incumbent AO more than US \$200,000 of the \$3.5 million he made from the contract awards, and an estimated \$1 million was paid to another executive. To receive the kickback, the incumbent AO needed to ensure the

contractor received a no-bid contract (Fulton and Shigley, 2002).

Other elected officials in the agency were also indicted. Two high-ranking officials failed to disclose a trip to Europe in their economic interest statements (as required by ethics statutes). The trip was allegedly provided to reward these two officials for investing millions of dollars of retirement contributions in European bonds from the agency's investment pool. Further, one member of the board was indicted on 17 misdemeanor counts ranging from accepting improper gifts to two counts of lying to the grand jury (Fulton and Shigley, 2002).

Sanctions At the time this article was written, several sanctions had already been determined. The AO that was investigated for accepting bribes and ensuring sole-source contracts were approved by the board of supervisors was ordered to pay \$300,000 to settle some of the claims. He was also sentenced to serve a brief jail sentence but served no jail time; because he cooperated in the investigation, he was released and given 3 years' probation (MacDuff, 2003). His predecessor, the former AO, spent less than 2 years behind bars.

Three ex-officials were ordered to pay \$6.3 million back to the agency as part of their settlement. The elected official who was a member of the board of supervisors was indicted under federal law on six counts of mail fraud. Under state law, he was indicted on 17 misdemeanor counts of accepting improper gifts and two counts of lying to the grand jury (Fulton and Shigley, 2002). At the time this article was written, this official was still awaiting trial and remained employed by the agency.

Although the aforementioned sanctions had been determined, there was also speculation about future sanctions. Some interested observers speculated that the board member who was indicted for mail fraud and accepting improper gifts would be recalled or fired by the agency. Journalists reporting on the trial proceedings speculated that additional prison time for ex-officials would be forthcoming (Troha, 2005). Finally, no sanctions had yet been applied to the contractors who were involved in the bribery schemes.

The depth to which corruption penetrated the culture of the organization, coupled with the numerous allegations of misconduct of top-ranking officials indicated a lack of ethical leadership and

serious lapses of moral judgment. In the next section, we discuss the role of ethical leadership and the importance of leaders modeling ethical behavior to create an ethical organizational culture in light of the current case.

Leadership and ethical behavior modeling

Employees look to leaders to provide direction and facilitate the processes that enable them to achieve their objectives (Zaccaro and Klimoski, 2001). Leaders are also responsible for instituting standards for ethical behavior and moral values that guide the behavior and decision making of followers (Brown et al., 2005). When these standards and values are consistently enacted, role modeled, and supported with compatible organizational processes, rules, and procedures, they can become an integral aspect of the organization's culture (Schein, 1985). Further, organizations whose leaders create an atmosphere of fairness and trust have reported positive organizational outcomes such as reduced turnover and absenteeism, increased employee motivation, and greater organizational commitment (Ambrose and Cropanzano, 2003; Korsgaard et al., 2002; Padgett and Morris, 2005).

In terms of creating and establishing ethical norms in organizations, one important leadership characteristic is likely to be a leader's perceived credibility, meaning that above all else, leaders must be believable and competent (Kouzes and Posner, 1995). A leader's ability to generate and sustain constituent trust works to increase credibility (Bennis, 1999). One way leaders can increase employee trust is through behavioral and decision-making consistency. "The behavior of leaders is a powerful communication mechanism that conveys the expectations, values and assumptions of the culture and climate to the rest of the organization" (Grojean et al., 2004, p. 228). Research has shown that leaders who model ethical behavior are the primary influence on employees' intent to behave ethically (Sims and Brinkman, 2002; Davis and Rothstein, 2006).

In addition to role modeling, processes of social perception are important for understanding the profound effect organizational leaders can have on employees, and the attributions employees may

make about their ethical decision making. Causal Attribution Theory suggests individuals attempt to determine the causes underlying other peoples' behavior, and observers judge an individual's intentions and motives based on observations of that individual's behavior (Kelley, 1972). When attribution theory is applied to leadership, it has typically been utilized to describe the processes used by leaders to determine the reasons for effective or ineffective behavior of subordinates (Green and Mitchell, 1979) or to understand how followers attribute performance outcomes to leaders (Meindl et al., 1985; Meindl and Ehrlich, 1987; Meindl, 1995). Much of the research on attributions has focused on leaders' attributions of followers' performance (Green and Mitchell, 1979) and subsequent ratings of follower performance based on the quality of leader-member exchanges (Lord and Maher, 1991).

Drawing on Kelley's Theory of Causal Attribution, Yukl (2002) explains that managers tend to attribute major causes of poor performance as either internal to the subordinate (e.g., lack of skills or effort) or to external issues beyond the employee's control (e.g., lack of resources provided by the organization). External attributions are more likely when the target of the attribution acts consistently (i.e., has had no prior history of poor performance), shows high distinctiveness in task performance (e.g., subordinate performs other tasks effectively), and high consensus with similar others (the subordinate is doing as well as others who are in a similar situation). Conversely, internal attributions are more likely when the target of the attribution is high in consistency (i.e., the target always behaves the same way), when consensus is low (others do not behave this way), and when distinctiveness is low (the target acts the same in other situations or contexts).

Although attribution theories and related studies have been important in increasing our understanding of leaders' attributions of followers, we are unaware of any empirical studies that examine subordinates' attributions to leaders' "ethical performance" in the context of organizational corruption. However, Kelley's Theory of Causal Attribution certainly has relevance in evaluating followers' attributions of leaders, and subsequent judgments about their leaders' ethical behavior in the midst of a corruption scandal. When judging causes of a leader's behavior

in ethical situations, observers may make *external* attributions about the leader if the leader has had no prior history of unethical conduct, behaves ethically in other situations, and behaves as others would in a similar situation. In accordance with Causal Attribution Theory, we might also expect observers to make *internal* attributions about the target leader when other top leaders refrain from engaging in the same unethical behavior as the target, when the target exhibits ethically questionable behavior in other settings, and when the target leader consistently exhibits unethical behavior.

When top leaders behave in contradiction to the organization's ethics code, and when that behavior prompts an investigation of the entire administrative leadership body, employees are likely to make attributions about why the leaders acted the way they did. From followers' perspectives, the outcomes of the ethical transgressions could include loss of trust in the leader, or the belief that the implicated leaders are hypocritical and do not model espoused ethical values. In addition, employees might feel that leadership is no longer committed to ethics or that their commitment was never genuine in the first place. Employees might also question the values of top leadership and attribute the unethical decision making to a variety of internal (e.g., leaders cannot be trusted, leaders have no moral values) and external causes (e.g., top leaders need training, elected officials are pressured by their constituents to make unethical decisions).

Hierarchy and moral reasoning

Leaders' hierarchical level may also play an important role in employees' attributions about unethical behaviors. Leaders at the top levels of the organization chart tend to have longer tenure with an organization and occupy positions of unique influence, providing them an opportunity to shape the values of the company and "affect the ethical tones of their organizations" (Pennino, 2002, p. 219). Further, their position in the organization renders them responsible for making key decisions affecting the fiscal stability of the organization. Top leaders have access to critical information, and by virtue of their position power also have the ability to make decisions that rank and file employees do not.

To what extent does hierarchical level and organizational tenure correlate with moral reasoning? In the past decade, several studies have been conducted to examine this question, and the findings have been mixed. Elm and Nichols (1993) surveyed 243 managers from 43 manufacturing firms and found a negative correlation between age and levels of moral reasoning. Older managers with longer organizational tenure exhibited lower levels of moral reasoning. Similar findings were reported in Bigel's (2000) study. Upper management level financial planners with greater tenure reasoned at lower levels than planners with less career tenure. Both studies measured moral reasoning through scores obtained from the Defining Issues Test (Rest, 1979), a test of moral cognition that evaluates one's ability to recognize individuals affected by the situation, the precedence of various claims, and what one ought to do when faced with an ethical situation.

Although the aforementioned studies found a negative relationship between top leadership and principled reasoning, several other studies have found that tenure and hierarchy are positively related to moral reasoning (Harris, 1990; Posner and Schmidt, 1987). In a study examining leaders of one organization, Harris (1990) found that top leaders were less tolerant of ethical misconduct than supervisory and middle managers. Harris stated that since top leaders are responsible for dealing with ethical dilemmas, they are likely to be less tolerant of fraudulent behavior. Posner and Schmidt (1987) surveyed 1,500 managers and found middle managers were more likely to compromise their ethical standards than those in the top management ranks, especially if they perceived they could meet organizational objectives by compromising their moral values. Given these mixed findings, it is critical to examine how those employed in an organization highlighted for unethical transgressions view the moral reasoning of top leaders, especially when those leaders' actions may have aided and abetted ethically questionable practices.

Retributive justice

Another area of research relevant to understanding employee reactions to ethical misconduct explores perceptions of justice. When key members of the

organizational hierarchy are implicated in ethical scandals, employees are likely to scrutinize top leaders' responses to the misconduct, as well as other organizational practices, through a justice lens. Previous justice research has mainly focused on procedural and distributive justice, while more recent theory also examines retributive judgments, that is, judgments of the punishment allocation in organizational wrongdoings (Treviño and Ball, 1992).

Retributive justice focuses on punishment outcomes, rather than reward outcomes (Hogan and Emler, 1981). Research on retributive justice has traditionally focused on behavior changes of the ethical wrongdoer as a result of ethics interventions such as ethics code development and ethics hotlines (Schwarz, 2001). As a result, there is currently a dearth of research that examines the effects of punishment fairness on third party observers. Treviño (1992) suggests that observer perceptions of punishment fairness are likely to be more important than the punishment's effect on the violator because the third party members make up the greater portion of the organization, and are usually comprised of the organization's most highly committed and productive workers.

Putting this assertion to the test, Treviño and Ball (1992) investigated punishment severity in response to organizational ethical misconduct on observer outcome expectancies. Using in-basket scenario-based exercises, these researchers found that the harshest disciplinary responses to unethical conduct influenced participants' outcome expectancies. When the harshest punishment was administered, observers' justice evaluations and emotional responses to the punishment were generally more positive than evaluations in the conditions with lesser punishment severity.

Niehoff et al. (1998) also examined the influence of violator past performance record and punishment severity on observers' attitudes and justice perceptions and found similar results. In addition to finding a positive relationship between punishment severity and perceptions of justice, these researchers found that violators with poor performance records were judged as more deserving of severe punishment than violators with good performance records.

The results of these two studies suggest that perceptions of retributive justice are more positive when the organization administers punishment to

ethics violators, and when the punishment “fits the crime.” At the time this study was conducted, the court had determined only a few sanctions (some sanctions were still pending), so we examined employees’ retributive justice evaluations based on both known and speculative sanctions.

Organizational politics

When seeking to understand employee reactions to ethical misconduct, perceptions of the role organizational politics play in fostering an unethical culture may also warrant examination. Organizational politics involves the actions or activities that occur on an informal basis within an organization and involves intentional acts of influence that are “designed to protect or enhance individuals’ professional careers when conflicting courses of action are possible” (O’Connor and Morrison, 2001, p. 301). Organizational politics is a prevalent element of virtually all work environments, and the detection of political activity at work is largely perceptual, and therefore highly subjective (Kacmar and Baron, 1999). Nepotism, cronyism and elitism are several manifestations of organizational politics that may be particularly relevant in understanding employee attributions of ethical misconduct.

Nepotism/cronyism

Nepotism refers to the practice of showing favoritism to family members during the hiring process or during promotion deliberations, a practice that certainly has negative connotations. Nepotism is seen as a form of privilege and entitlement based on a family connection. Cronyism, on the other hand, is showing partiality to long-standing friends, especially when appointing them to public office without regard for their qualifications.

Historically, a vast majority of employees hold negative opinions about organizational nepotism and cronyism. In a survey distributed by the *Harvard Business Review* in the 1960s, more than 60% of a sample of 2,700 businessmen had negative attitudes toward nepotistic practices (Ewing, 1965). Nepotism has also prompted questions regarding the “ethical appropriateness” of dual-career couples in the workplace, especially in the public sector through merit systems supposedly designed to ensure that

only the most qualified applicants are hired or promoted. In 1990, a survey measuring attitudes of public personnel administrators toward nepotism was administered to 1,283 agencies that were members of the International Public Management Association (IPMA). According to the results of the survey, 40% of respondents reported that spouses employed in the same organization posed or created ethical dilemmas (Reed and Bruce, 1993). Some employees viewed nepotism as unfair and others went so far as to report that they perceived nepotism as an antecedent for conflicts of interest.

Additional evidence suggests that attitudes toward nepotism have not changed since the *Harvard Business Review’s* nepotism survey. In a study conducted by Padgett and Morris (2005), the consequences of being perceived as having benefited from a family connection during the hiring process were examined. These researchers found that nepotistic hiring practices were perceived as being less fair than merit-based hiring. Further, those hired based on family ties were viewed less favorably by observers than individuals believed to have been hired based on ability. Consequently, from the perspective of those who do not benefit from nepotism or cronyism, these practices are believed to be unfair and even unethical.

Elitism and the old boy network

Another aspect of organizational politics that has warranted criticism from employees (especially women) is the old boy network. These informal networks are organized by and for high-status males in accordance with principles of masculine sociality (Farr, 1988). The masculinity-validating nature of these networks requires that some group (usually women) is devalued, and the result of this requirement is that the “out-group” is excluded and the exclusion is rationalized as legitimate (Franklin, 1984).

There is typically an instrumental purpose for forming an old boy network. Instrumental networks of upper-class men gather for the purpose of enhancing their class positions. As the members tend to be already in positions of high status and influence in the organization, old boy networks serve to fortify the notion that this group is dominant and elite (Farr, 1988). From the viewpoint of those peering over the barriers of this network, the result of being

excluded often includes feelings of alienation and devaluation. These feelings may prompt members of the out-group to question the motives of those in the network; the out-group may perceive that promotional advantages and financial enhancements are offered only to the high-status males who already benefit from such advantages. Over time, the consequences of being excluded may result in the emergence or escalation of negative emotional states.

Employee emotions

Although we discuss employee emotions last in this review, we certainly do not underplay their importance. Emotions are a critical and prevalent aspect of organizational life; consequently, research on workplace emotions is increasing (Ashkanasy and Daus, 2002; Dasborough, 2006). Weiss and Cropanzano (1996) posit that effective leaders shape affective events that determine employees' attitudes and behaviors in the workplace. If leaders are effective, it is more likely that employees will report positive emotions. Peeters (2002) purports that a negativity bias exists when employees report emotional incidents they have experienced, with employees recalling more negative incidents than positive incidents. Since leaders are instrumental in shaping affective events, it is imperative to consider employee emotional responses to organizational leaders and their behaviors, especially when those leaders violate standards for ethical behavior.

Emotions can come into play when employees form justice evaluations, when employees feel that leaders are not to be trusted, and when dysfunctional organizational politics run rampant in an organization. It is also important to note that emotional reactions to breaches of trust and unethical conduct of top leaders are frequently antecedents to undesirable employee and organizational outcomes. Increases in absenteeism, theft, intentions to leave the organization, and decreased organizational commitment and citizenship behaviors (Ambrose and Cropanzano, 2003; Padgett and Morris, 2005), are just some of the outcomes that may result from negative employee emotional reactions. With these outcomes in mind, we turn to a discussion of the varying affective states that may be experienced by organizational members who are affected by proximity to a

public backlash in response to corruption. In the next section, we present emotions previous researchers have found to be prevalent when employees perceive leaders as lacking integrity and failing to model espoused values.

Cynicism

Numerous studies have examined the effects of psychological contract breaches on employee attitudes and behaviors (Johnson and O'Leary-Kelly, 2003; Pate et al., 2003). In each of these studies, employee cynicism was found to mediate the effects of the contract breach on work-related attitudes such as organizational commitment and job satisfaction. Employee cynicism is defined as a negative outcome that stems from the employees' belief that the organization lacks integrity (Dean et al., 1998). Cynicism is also manifested in a tendency toward criticism of the organization's behavior. Targets of cynicism typically include senior executives, the organization in general, and company policies (Robinson and Rousseau, 1994). Psychological contracts are a form of exchange between employers and employees (typically between the employee and his or her leader or supervisor), consisting of implicit expectations that each entity has about another. If employees enter an organization and have the expectation that top leaders will act ethically, that ethical dimension becomes a term in their psychological contract. When the contract has been breached, these employees may become cynical and that cynicism could negatively impact their job satisfaction and commitment to the organization or its leadership. For the purpose of this study, we sought to understand the (un)ethical behavior factors that may promote cynicism, the targets of cynicism, and determine how cynical reactions manifest themselves in the aftermath of an ethical scandal.

Anger and frustration

Feelings of anger and frustration tend to work in tandem with organizational cynicism (Andersson and Bateman, 1997). These negative feelings are associated with contempt for the organization, or the organization and its leaders, and with feelings of hopelessness about the leader's or organization's ability to change for the better. When employees hear about the misconduct of top officials, many of whom "preach" the ethics gospel through ethics

codes or presentations at new-hire orientation meetings, it is likely that these employees will come to resent not only the message, but the messenger as well. In this exploratory study, we evaluate employees' statements to identify the factors, leader behaviors, and events that are most frequently associated with the emergence of anger and frustration.

Optimism and pessimism

Factors such as dispositional and situational optimism and pessimism are also likely to exist in situations where change is about to, or has, occurred (i.e., implementation of an ethics office, dissemination of ethical climate assessment), due to the stressors associated with change (Carver et al., 1989). According to Luthans and Church (2002), "Optimism is a positive outcome expectancy and/or positive causal attribution but is still emotional and linked with happiness, perseverance, and success" (p. 69). Optimism is thought to be a general and stable dispositional resource that influences whether an individual will stay focused on reducing discrepancies between present behavior and a goal or standard selected for pursuit. Dispositional optimism refers to generalized outcome expectancies that good things, rather than bad things, will happen. Pessimism, on the other hand, refers to the tendency to expect negative outcomes in the future. Optimism and pessimism have implications for organizational and employee resiliency in being able to successfully rebound from an ethics scandal. Optimists tend to make external attributions (do not internalize) and view problems as temporary setbacks. Pessimists tend to feel that negative events will last a long time, and will globalize problems as something that will undermine everything that they do (Luthans and Church, 2002).

Paranoia and fear factors

When employees are given the rare opportunity to comment on the unethical practices of their organization's leadership, emotions emerge that might impact what the employee will say, or if and how he or she will comment. Whistleblower research has identified aspects of fear as emotional factors that inhibit employees from speaking out or exposing ethical wrongdoers (Sims and Brinkman, 2002). These fear factors include fear of retaliation, fear of losing one's job, and feelings that once the whistle is

blown, it is only a matter of time before the organization begins tactics leading to constructive discharge. In a culture of mistrust, employees might feel that there is no one to turn to; they might also believe that they will be targeted themselves if they step forward in an attempt to challenge the toxic leader (Lipman-Blumen, 2005). To what extent will fear inhibit (or mobilize) employees' propensities to vocalize their feelings when asked to comment on the ethical climate of an organization in the throes of a corruption scandal? Further, to what extent will respondents disclose their perceptions of questionable leadership decisions or organizational practices? By understanding the nature of the aforementioned constructs such as cynicism, anger, frustration, and fear, we can begin to understand more thoroughly the emotions that may arise as a consequence of simply being members in an organization noted for its unethical culture, and the most common targets of emotional outbursts.

In the aftermath of corruption, incumbents are likely to experience a multitude of emotions resulting from breaches of leader trust, and feelings that the organization has, in a sense, betrayed that trust. These employees are also likely to make attributions about those who ethically transgressed, and may make attributions as to who or what was to blame for the ethical misconduct. In the current study, we explore these attributions in detail, and discuss organizational and leadership implications for re-establishing legitimacy, not only in the eyes of the public, but also in the eyes of its employees.

Method

Sample

One thousand employees in a southern California government agency were randomly selected to participate in an organizational climate assessment. Out of 925 valid surveys delivered, a total of 418 responded. Participants were asked to elaborate on what they felt was important with regard to the ethical climate of the organization. Of the larger sample, a total of 151 people provided commentary in response to an open-ended question embedded in the larger survey regarding perceptions of the organization's ethical climate. After selecting only those

respondents who directly addressed issues of ethical leadership, the final sample consisted of 76 employees (50 female, 26 male). The mean age of participants was 45 years ($SD = 10.10$). The length of time employed by the agency ranged from less than one month to 40 years (mean = 9.5 years, $SD = 8.5$). Over 50% of the informant sample was comprised of employees in the technical (20%), clerical (10%), management and supervisory (18%), and professional (9%) bargaining units. Employees in the administrative, exempt and legal services units accounted for 18% of the sample and the remaining 25% were in the law enforcement and safety bargaining units.

Data analysis

Following the hermeneutic process (Patton, 2002), a preliminary coding scheme was developed based on the findings of previous research (Andersson and Bateman, 1997; Franklin, 1984; Harris, 1990; Johnson and O'Leary-Kelly, 2003; Niehoff et al., 1998; Posner and Schmidt, 1987; Reed and Bruce, 1993). The coding scheme (see Table I) consisted of key themes associated with perceptions of ethical leadership, organizational politics, retributive justice evaluations, and emotional reactions to organizational corruption.

Following Miles and Huberman (1994), coding of the data took place in two stages. A list of codes was generated in the first stage, *a priori*, from relevant research studies. Pattern-level coding occurred in the second phase to assist with grouping categories obtained in the first stage into analytic units and higher-order categorizations. The unit of analysis was the phrase level.

Two graduate students, both trained in content analysis, evaluated and coded each response. Interrater reliability was established over two intervals. Each rater coded five pages of text individually. Initial interrater reliability was .70. After refinement, the aggregate interrater reliability increased to .89. Prior to analyzing the data, all discrepancies in coding were reconciled.

Findings and discussion

Figure 1 shows the distribution of employee reactions to the organization and its leaders.

Of the 203 responses to the corruption scandal, 47% of the responses (95 statements) focused on leadership attributions that included position in the hierarchy, ethical behavior modeling, hypocrisy, and trust. About 61 statements containing emotional reactions (i.e., cynicism, optimism, pessimism, fear, and feelings of paranoia) accounted for 30% of the total references to the ethical climate of the organization. About 9% of all reactions to corruption (18 statements) focused on retributive justice evaluations and 14% (29 comments) dealt with employees' perceptions of organizational politics (nepotism, cronyism, and the old boy network).

Employee attributions

Leadership attributions

Four leadership attributions were prevalent in employees' comments (see Table II). These attributions included references to unethical decision making as a function of hierarchy, lack of ethical behavior modeling, hypocrisy, and distrust of top leaders and elected officials.

Hierarchy

Approximately 27% of the total attributions to leadership were focused on the relationship between hierarchy and ethical decision making. Further, both internal and external attributions were made. About 17 employees made internal attributions when they stated they felt the corruption existed "at the top" of the organization, and was primarily confined to the unethical actions of former top leaders. Consistent with previous findings indicating that moral reasoning declines with age (Elm and Nichols, 1993) and organizational tenure (Bigel, 2000), the respondents indicated they believed as people moved up in the organization, moral reasoning declined. Other employees made external attributions to leaders; they perceived that political pressures were applied to top leaders, thus negatively affecting their ability to make ethical decisions.

The most prevalent theme emerging in the hierarchy construct was the perception that lower level employees (including middle management) had higher ethical standards than the organization's top leaders and elected officials. As one employee stated,

TABLE I
Construct definitions

Construct		Definition
Leader attributions	Hierarchy	References to top leadership being less ethical than lower level employees, implying that as one moves up in the organization, the less ethical he/she becomes.
	Modeling ethical behavior	Leader behaves in an ethical manner and is committed to ethical decision making. Commitment is exhibited through rhetoric and actions supporting ethical behavior.
	Hypocrisy	Contradictions between stated values and actions (e.g., promoting ethics training while committing ethical breaches). Statements indicating leaders do not apply moral codes consistently.
	Trust	Extent to which words and actions of leaders can be trusted. Belief that the leader will do the "right" thing and will look out for the employees' best interests. References indicating employees feel comfortable discussing ethical dilemmas with their leaders.
Organizational politics	Nepotism and cronyism	Preferential treatment (typically in hiring or promotion actions) of relatives, spouses, or members of the in-group.
	Old boy network	Network comprised primarily of men functioning to promote and protect males' interests in the top leadership of the organization. Men receive perks simply by being members of the male network.
Justice evaluations	Retributive justice	Judgments about the fairness of punishment distributions (i.e., the punishment did not "fit the crime", or, punishment was not rendered for the ethical infraction).
Emotional reactions	Cynicism	Attitude characterized by anger, moral outrage, frustration, disillusionment, and contempt directed to the organization, its practices, and its leaders.
	Pessimism	Lack of faith about the success of the organization's ethics interventions or the ability of its leaders to change. Belief that ethical misconduct will continue.
	Optimism	Belief that the organization, the leader, or both can improve with regard to ethical behavior.
	Paranoia and Fear	Excessive or irrational suspiciousness and distrustfulness of the organization. Belief that the organization will retaliate against those who question ethical decisions or those who "blow the whistle."

"The blame is put on the employees when most unethical behavior has occurred with certain members of the board and the past AOs." Employees were aware of the political pressures applied to leaders at the top of the organization chart, but felt that top leaders should be more concerned with ethical practices precisely because of those pressures.

Ethical behavior modeling

As stated earlier, the behavior of leaders is a powerful communication tool for establishing a strong ethical culture; conversely, the behavior of leaders is also

instrumental in the development of a corrupt organizational climate. In this sample, 34% of leadership attributions included employees' beliefs that leaders did not model espoused ethical values, and that top leaders actually created and condoned an unethical culture. One respondent provided an example of an instance where a decision made by top leaders and corporate attorneys to settle out of court sent a negative message to lower level employees: "By settling out of court, the board did not solve the problem; it gave the "OK" signal for the behavior to continue." Top leaders were not perceived as taking

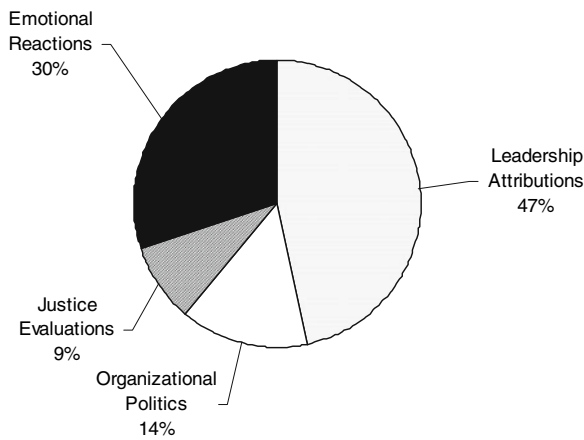


Figure 1. Distribution of employee responses to organizational corruption.

the consequences of corruption as seriously as the rank and file employees.

Respondents also made internal attributions about personality characteristics of top leaders. These employees viewed top leaders and several elected officials as narcissistic and made the connection between narcissism and unethical behavior. For this sample, top leaders were described as being enamored by their own power, and their self-importance was perceived to be a contributing factor to the emergence of ethically questionable practices. Lipman-Blumen (2005) asserts that narcissistic leaders “metamorphose in ways that prevent them from functioning effectively in their intended roles” (p. 167). Since narcissists tend to be in love with their own image, they may often be

TABLE II
Leadership attributions

Construct	Attributions	Supporting Statements
Hierarchy	<ul style="list-style-type: none"> External pressures on top leaders Negative correlation between leader hierarchy and moral reasoning 	<ul style="list-style-type: none"> The higher one moves up the “chain of command”, the greater the external pressures (political climate), which affects decision making. Ethical issues increase with rank. Top leaders should be concerned with their ethical standards.
Ethical behavior modeling	<ul style="list-style-type: none"> Leaders create/condone unethical culture Narcissism is antecedent of corruption Top leaders do not “walk the talk” Questionable judicial strategies 	<ul style="list-style-type: none"> The “ethical culture” created or condoned by department leaders has been a “mixed bag.” Members of top management are enamored by their own power and, therefore, have questionable ethics. Without top officials setting an example of “impeccable ethical standards,” how can they expect the same in their employees?. By settling out of court, the Board did not solve the problem; it gave the “OK” signal for the behavior to continue.
Hypocrisy	<ul style="list-style-type: none"> Leaders not practicing what they preach Disparagement of top management 	<ul style="list-style-type: none"> Top management doesn’t practice ethics, but they are all too willing to preach it, making them appear as hypocrites. Administration “drips” with a corrosive hypocrisy.
Breaches of trust	<ul style="list-style-type: none"> Leaders not receptive to ethical concerns Leaders lack credibility Leaders breach ethical terms in psychological contracts 	<ul style="list-style-type: none"> Supervisors, managers and the administration do not address ethical and legal conflicts. Top management gives evasive, “around-the bush” answers to ethical questions, leaving our concerns unresolved and unanswered. What can employees do when the person the employees need to report for unethical decision making is the manager in their department?

blind to the negative images resulting from the backlash of corruption.

As discussed above, modeling ethical behavior involves the extent to which leaders' words and actions are aligned with espoused ethical values. Leaders must exhibit actions that are aligned with, and supportive of, ethical conduct if they are to be successful in stimulating morally responsible behavior (Pelletier and Bligh, 2006). Consistent with Brown et al.'s (2005) views that employees look to leaders to institute standards for ethical behavior that guide the decision making of followers, numerous respondents indicated they believed top leaders are anything but ethical role models. Many felt the expectations of ethical conduct for followers were stricter than the expectations for top leaders, thus creating a double standard. Further, employees questioned why they should behave ethically when their organization's top leaders were not "walking the talk," and although many of the leaders implicated in the corruption scandal were no longer with the organization, employees still perceived that they could not trust upper management.

Hypocrisy

Nineteen attributions of hypocrisy (20% of all references to leaders) were coded in respondents' comments. Employees were keenly aware that top leaders were preaching ethics, but employees perceived incongruence between stated values and actual behaviors. Of all constructs examined, hypocrisy elicited the most disparaging comments by employees: "Administration 'drips' with a corrosive hypocrisy. Top management doesn't practice ethics, but they are all too willing to preach it, making them appear as hypocrites."

Employees were also angered by the fact that top leaders tended to be "on their soap box" preaching ethical conduct, but many of these leaders had also behaved unethically. One employee stated, "Without top officials setting an example of 'impeccable ethical standards,' how can they expect the same in their employees?" These same employees were also reading the newspaper headlines that highlighted not only the corruption scandal and impending judicial proceedings, but also activities that were still perceived to be unethical, such as reinstating an elected official to committees from which he was previously removed due to conflicts of interest. Exacerbating

these employee reactions was the disparity between media accounts of the ethical misconduct and top leaders' evasive and ambiguous responses to employee inquiries about the truthfulness of those newspaper articles. In all of these hypocrisy-themed statements, employees' responses reflected that they were making primarily internal attributions as to the immorality of top leaders.

Trust

In this case study, repercussions of the implicated leaders' unethical decision making trickled down to lower level employees such that these employees were no longer likely to put their trust in upper management, and were not likely to "buy in" to the newly established ethics interventions. When leaders lack credibility, previous research suggests they will be unsuccessful in any attempts to generate or sustain follower trust (Bennis, 1999). Of all references to leaders and leadership, 19% involved internal attributions of leaders' lack of trustworthiness. Employees described top leaders as being uninterested in hearing about ethical concerns. When leaders did field a question regarding ethics, employees perceived the leaders to be evasive and disingenuous in their responses. Interestingly, however, many employees were able to compartmentalize leadership. About 44% of the respondents who commented on leader trust indicated their immediate supervisors were trustworthy and felt that their departments conducted business in an ethical manner. The remaining respondents (56%) indicated that they did not trust anyone in a leadership position.

Perceptions of organizational politics

In addition to attributions involving unethical leadership, employees also perceived the organization to be highly political. Employees indicated that organizational politics still existed in the form of preferential treatment designed to hire, promote, and financially "enhance" select individuals. The two common themes that emerged in employee responses were nepotism/cronyism, and the old boy network. Table III presents employees' perceptions of how organizational politics were manifested in the organization.

TABLE III
Perceptions of organizational politics

Construct	Manifestation of politics	Supporting statements
Nepotism and cronyism	<ul style="list-style-type: none"> • Preferential treatment for “in-group” members • Questionable hiring practices • Questionable promotion practices 	<ul style="list-style-type: none"> • <i>It seems that a lot of referrals to help out ‘family’ members are often made in my department. When a crony is nearing retirement, there is an instant promotion allowing them to retire at a higher level, thus costing the county more money.</i> • <i>Supervisors throw ethics out the window when they promote whom they want. They have the power to make it look like it [the interview] was fair by influencing the interviews and the outcome.</i> • <i>Those who seem to elevate are generally related and only a small percentage promote who are qualified. Too many promotions are based on ‘who you know’ rather than on merit.</i>
Old boy network	<ul style="list-style-type: none"> • Appearance of “elitist” level of management • Devaluation and discrimination • Culture of preferential treatment to men 	<ul style="list-style-type: none"> • <i>In my department, people are promoted who don’t meet minimum qualifications while those “in the know” turn their heads and create their own little kingdom of “yes” men.</i> • <i>All top levels of management are given to white males and mid management has been given to white women. Employees are managed by intimidation and harassment.</i> • <i>I still see the good old boy club. The club still lives on and favoritism is alive and well.</i>

Nepotism/cronyism

Of all references to organizational politics, 76% of the responses referred to aspects of nepotism and cronyism. Employees’ perceptions of nepotism and cronyism were articulated as top leaders giving preferential treatment to members of the in-group, whether the in-group consisted of long-standing friends or family members employed in the organization. Preferential treatment was perceived by respondents as perks given to employees simply because they were family members of the in-group, or were members of the top leaders’ “entourage.” One of the perks mentioned was a practice where a crony or favored family member could enhance his or her retirement through promotional methods not afforded to rank and file employees. The retirement package in this organization calculates retirement allocations based on the retiree’s highest quarterly earnings. Several respondents stated that as cronies near retirement, they are given an automatic

promotion, thus increasing their retirement benefit. “Those who seem to elevate are generally related and only a small percentage promote who are qualified. Too many promotions are based on ‘who you know’ rather than on merit.” These practices were perceived to be antecedents of corruption due to the nature of rewarding individuals who might then feel obligated to comply with anything the top leaders request.

Employees also perceived inequity in hiring and promotion practices, based on aspects of nepotism and cronyism. Favoritism of members of the in-group during the personnel selection and promotion processes manifested itself as leaders knowing in advance whom they wanted to hire or promote, and influencing the outcome of the interviews by virtue of their use of position power. According to respondents, merit-based promotions and hiring practices based on competency were illusions, not actual practices, evidenced by comments on the manipulation of these practices by top leaders.

TABLE IV
Emotional reactions

Emotion	Targets of emotion	Supporting statements
Cynicism	<ul style="list-style-type: none"> • Moral reasoning • Mandatory ethics training • Ethics interventions • Unethical culture • Retributive justice 	<ul style="list-style-type: none"> • <i>Many of our top leaders are ethically bereft; the ethical standards of this elected official are an unfortunate joke!</i> • <i>We've had ethics crammed down our throats; the peons are not the ones with the scruples of a swamp rat.</i> • <i>The Ethics Office sounds like a waste of money to me! The creation of an ethics officer is a joke.</i> • <i>If it makes ethical sense, this organization won't do it. It's [holding people accountable for ethics] like signal lights; they won't put one up until people die.</i> • <i>I am very angry because it is always the employees who are punished for top managers' and elected officials' unethical behavior.</i>
Pessimism	<ul style="list-style-type: none"> • Organizational improvement • Ethics interventions • Solicitation of feedback 	<ul style="list-style-type: none"> • <i>We seem to be going backward in terms of ethics; compared to other counties, we still have a long way to go.</i> • <i>Fantastic sums of money will be spent on an ethics officer and nothing will change.</i> • <i>It does not project much confidence when a survey such as this has to go out. I don't believe much will come of this survey.</i>
Optimism	<ul style="list-style-type: none"> • Organizational improvement • Ethics interventions • Solicitation of feedback 	<ul style="list-style-type: none"> • <i>I feel the ethics of the county, as a whole, are better than they have been.</i> • <i>With the adoption of the ethics code and through training, we have made excellent strides in raising the level of employee consciousness regarding ethical behavior.</i> • <i>I think the survey in general is a step in the right direction.</i>
Paranoia/fear	<ul style="list-style-type: none"> • Departmental norms • Censorship and punitive actions • Motive for survey 	<ul style="list-style-type: none"> • <i>My department routinely shoots the messenger and retaliates if ethical issues are raised.</i> • <i>Managers engage in retaliatory behaviors such as involuntary transfers to get back at employees when they've done nothing wrong except voice an opinion about ethics.</i> • <i>I feel this survey was trying to see if I was unethical. I will call the union if I am questioned in any way, shape, or form regarding my comments on the survey.</i>

Further, cronyism and nepotism did not discriminate; cronies and family members were awarded perks and were given preferential treatment with no regard for gender. The old boy network, on the other hand, did evoke employee perceptions of gender discrimination.

Elitism and the old boy network

When organizations establish informal networks to enhance one group of individuals over another group, feelings of exclusion and feelings of discrimination, devaluation, or both are likely con-

sequences (Franklin, 1984), with those excluded from the network questioning the motives of those in the network. In addition, when these networks exist for long periods of time, they tend to shape the organization's culture, or departmental climate.

Of all references to organizational politics, 24% of the attributions included statements regarding the old boy network. Respondents in this study made statements describing their feelings of exclusion and devaluation. For example, one employee described a discriminatory culture by proclaiming that positions in top levels of management were bestowed primarily upon white males, and she also stated mid management-level positions were doled out to white

women. Other employees indicated the old boy network served to shield in-group members from harm. One respondent indicated that the old boy club worked to shield an elected official from being removed from office for alleged sexual misconduct. Another employee reacted to the network's historical behavior in protecting its members by stating, "This so-called 'reform' administration has acted to protect the very same 'politically connected bad apples' that drew public ire to the previous administration."

Employee responses also indicate that over time, the existence of a predominantly male entourage or network affected how employees viewed the culture of the organization. For these respondents, the culture of the organization was described as discriminatory and unethical. The culture was depicted as fostering a "we-they" dichotomy such that assignment to either of these two groups was based on whether one was male, liked, or someone with the "goods" on someone else. In the current sample, those not assigned to the old boy club rationalized their exclusion by making statements that highlighted unethical aspects of the network's practices. Respondents stated that the old boy network continued to live on – despite media coverage of the role of politics in the corruption scandal – and that policies continued to exist that favored members of the network.

As stated earlier, the existence of these networks fortifies the notion that this network is elite (Farr, 1988). One respondent used the metaphor "kingdom" to describe the elitist level of management created by the old boy network: "In my department, people are promoted who don't meet minimum qualifications while those "in the know" turn their heads and create their own little kingdom of "yes" men." They also perceived members in the network to be males who would not challenge the top leadership, and would simply acquiesce at the leader's request.

Interestingly, there were no significant gender differences in the number of references to the old boy network. Men, as well as women, perceived the old boy network to exist and to function as an outlet for applying preferential treatment to in-group members, protecting males' interests, and enhancing the class positions of males already in positions of high status.

Retributive justice evaluations

About 18% of the respondents made comments about the organization's ethical climate that included some aspect of retributive justice. The overwhelming themes emerging from these responses were the lack of punishment application for ethical wrongdoers and the inconsistency of punishment application. One employee stated, "There are no consequences when ethics policies are violated. The organization can have meetings and policies on the topic of ethics, but until wrongdoers are investigated and perhaps terminated, things will remain status quo." Others stated that only certain people were disciplined, and perceived that the organization applied harsher discipline on rank and file employees than elected officials and top administrators. Another employee articulated her frustration with the double standard in punishment application by stating:

I have a problem with elected officials being allowed to work in public service while actively under criminal prosecution. Why aren't these people stopped and their decisions questioned? Why aren't they held to account for their actions and held accountable for the turmoil and chaos they create?

These reactions to punishment inconsistencies are consistent with Treviño and Ball's (1992) findings that revealed observer's justice evaluations and emotional responses to punishment are influenced by punishment severity. Observers' retributive justice evaluations were more positive when the harshest punishment was applied to ethical wrongdoers. Conversely, evaluations were less positive when the punishment was not perceived as severe, or commensurate with the ethical violation. Further, retributive justice evaluations were more emotionally charged than other attributions to organizational practices (Treviño and Ball, 1992).

Emotional reactions to corruption

Table IV shows the four emotional reactions that emerged within this sample: cynicism, pessimism, optimism, and fear (including paranoia).

Cynicism

Cynicism, defined as attitudes characterized by anger, moral outrage, frustration, disillusionment, and contempt, was directed to the organization, its practices, and its leaders (see Table IV). Cynicism was the most prevalent emotional reaction that emerged in the survey comments, accounting for over 50% of all emotional reactions. The targets of cynicism included the organization's leaders and elected officials, the necessity and perceived value of ethics interventions, an unethical organizational culture, and retributive injustice (unequal distribution of punishment for ethical transgressions). These findings are not surprising in light of previous research that found targets of cynicism to be senior executives and organizational policies and practices (Andersson and Bateman, 1997; Dean et al., 1998; Robinson and Rousseau, 1994). In this sample and context, it is likely that employees viewed the top leaders as having breached the implied psychological contract by acting in ways that deviated not only from the employees' moral bases, but from organization's ethical expectations as well. These perceived breaches eroded employees' trust in executive leaders' behaviors and rhetoric.

Cynical statements were also made about organizational policies and practices having the appearance of being inconsistently administered. Employees indicated they were angry about having to attend ethics training when, in their views, top management was the group that needed training: "We've had ethics crammed down our throats; the peons are not the ones with the scruples of a swamp rat!" Statements such as these suggest employees not only viewed the training as punishment, but also perceived aspects of retributive justice inherent in the training, as perpetrators did not attend the same training sessions as the rank and file employees. The training module for top leaders, including those implicated in the corruption scandal, was much shorter in length and was administered offsite.

Other organizational practices prompting cynicism from employees included perceptions of retributive justice inconsistencies and organizational politics. Some employees' negative views of justice evaluations were exacerbated by the fact that an elected official indicted for corruption was allowed to continue his employment with the agency. The

participants felt that had it been they who committed the unethical acts, they would have been given their "walking papers." These statements again support Treviño and Ball's (1992) findings regarding participants' negative reactions to punishment when the punishment for ethical violations is not commensurate with the crime. The double standard principle was also implied in these responses; employees perceived that top management was not held to the same standards as the "regular" employee, and the punishment for unethical behavior by top management was viewed as less severe than, or nonexistent relative to, the level of punishment administered to lower level employees. In this sample, the lack of administering appropriate punishment to ethical wrongdoers was a catalyst for many of these cynical statements. Employees felt they were being punished for the behavior of top management and the elected officials. Further, employees indicated that membership in the old boy network was the underlying factor driving the inconsistent punishment application.

Cynical comments were also directed at organizational tenure and hierarchy with regard to levels of moral reasoning. Employees on the "lower rungs of the organizational ladder" felt that moral reasoning was inherent to the individual, as something children learn from their parents at an early age (Lipman-Blumen, 2005). Several employees suggested that although they believed ethics is learned early in life, as leaders move up in the organization, not only does moral reasoning deteriorate, but the opportunities to be led down a path of corruption also increase. This viewpoint might stem from the employees' beliefs that top management has insight into issues with political ramifications; consequently, by virtue of their hierarchy, top management also has power to make decisions that might not be in the best interest of the organization. The results of this study may shed light on the assertions of previous researchers that hierarchy and moral reasoning are either positively or negatively related. Similar to the results of studies that found a positive correlation between hierarchy and moral reasoning, employees in this study acknowledged that leaders in government agencies face political pressures that rank and file employees do not. Further, some employees felt that their immediate supervisors refrained from acting unethically when faced with the same pressures.

However, employees also felt that top leaders should be able to recognize these pressures and make ethical decisions regardless. Overall, employees perceived a negative relationship between hierarchical level and the moral reasoning of top leaders in this case analysis.

Cynical comments were also directed at the organization's motivation with regard to the implementation of several ethics interventions. Although a handful of employees were happy to see that a survey was being administered to assess ethical climate, and were optimistic about the impact the results of the assessment would have on the organization, the majority of participants who commented on the creation of an ethics office were pessimistic and voiced skepticism about the likelihood of the ethics intervention's success. Further, respondents expressed a lack of confidence in the organization's ability to rebound from the corruption scandal due to the continued exhibition of questionable behavior by top management. These individuals also made statements indicating they did not trust the words and actions of upper management and elected officials, and indicated they felt the ethics interventions served only to "window dress" the problems.

Beyond reactions involving leader mistrust, 11 of the 61 emotion-laden statements included paranoid and/or fear-based reactions. One disheartening finding included the nature in which employees perceived the distribution of the ethical climate assessment, as well as perceived personal consequences for taking part in the survey. Several employees stated they felt the organization was tracking the participants' responses and would retaliate if the responses were not favorable. One respondent stated, "Managers engage in retaliatory behaviors such as involuntary transfers to get back at employees when they've done nothing wrong except voice an opinion about ethics." Others felt that their jobs would be in jeopardy, or they would not be supported if they blew the whistle on unethical co-workers (especially unethical leaders) within the survey. The overwhelming fear-based reaction was the perception that top leaders, and also immediate supervisors, were using their power to thwart ethical inquiry, identify whistleblowers in the organization, and retaliate against those who challenged the leaders' actions. Interestingly, although these paranoid reactions were prevalent in the

responses, respondents seemed compelled to have a voice in the process regardless. The propensity to voice concerns was so great, in fact, that five respondents took the risk to name individual names when they blew the whistle.

The fear-based and paranoid reactions of this sample are consistent with the motivations of employees to blow the whistle on organizational perpetrators as proposed by Sims and Brinkman (2002); however, in this case, employees were not uniformly silent. Employees indicated that they were fearful of losing their jobs and felt paranoid about possible retaliation, but these two emotions were overcome by those who blew the whistle, even while fearing retaliation.

Implications and limitations

Organizational ethics interventions

When an ethics scandal occurs in an organization, the implementation of ethics interventions designed to aid the organization in its quest to re-establish social legitimacy are usually not far behind. These ethics interventions are typically aimed at "healing" the organization at the organizational level, rather than including activities to promote the healing of individual employees. However, our results suggest that providing individual employees opportunities to heal may be critical as well. Employees need outlets for emotional responses to the psychological distress and mistrust precipitated by ethical transgressions, and creating opportunities for both anonymous and interactive dialog may be an important yet often overlooked part of the process in recovering from a public ethics scandal.

In this qualitative analysis, almost half of the references to the ethical climate of the organization included attributions to the organization's top leaders; consequently, the necessity for highly visible leadership training is important in changing employee perceptions of these leaders and also for instilling a climate in which ethical decision making and behaviors are both expected and rewarded. Ideally, leaders and employees should jointly participate in ethics training to avoid perceptions that different ethical standards apply depending on hierarchical level.

In addition, leaders must be trained to avoid making statements that are potentially perceived as hypocritical or disingenuous from employees' vantage points to regain credibility and trust. To do this, leaders might be encouraged through journals, diaries, or interactive discussions to reflect on potential ramifications of their behavior and rhetoric before making statements that can be perceived as not "practicing what they preach." In other words, leaders must model ethical behavior both in word and deed and should very visibly encourage, support, and role model ethical inquiry at every level of the organization. Role modeling ethical situations and discussions of hypothetical ethical scenarios involving both leaders and employees in joint sessions may be particularly helpful in highlighting the potential for behaviors to be interpreted as unethical or hypocritical.

Our results also suggest that employees are likely to be more willing to trust their immediate supervisors and managers in the wake of a scandal involving top management, so middle managers may play a particularly vital role in programs aimed at re-establishing the organization's legitimacy and trust in top leaders. In particular, the visible promotion of trusted middle managers into top leadership roles, and the noticeable engagement and support of ethical programs by these individuals may be particularly beneficial.

Employees' perceptions that politics were rampant in the organization also evoked a range of cynical reactions. In this sample, employees reacted emotionally and negatively to the organization's politics, and questioned leaders' selection and promotion decisions based on nepotism and cronyism. In light of this finding, formal organizational policies should explicitly prohibit these practices, and training curricula could also include a component that is comparable to sensitivity training, so top leaders are cognizant of how decisions based on nepotism and cronyism are perceived by out-group members. Human resources practitioners should also work to ensure hiring and promotional decisions are made based on the candidate's demonstrated knowledge, skills, and abilities that are aligned with the requisites of the position sought based on well-established and explicit criteria.

Based on the results of this study, it might *seem* plausible to focus ethics training solely on the

organization's top leaders due to their highly visible role in unethical conduct. Although it is important to note that organizational corruption in this case did occur at the hands of top leaders, leaders' unethical behaviors do not occur in a vacuum. Employees thus have a responsibility to challenge actions they perceive to be in conflict with their own ethical values. When leaders stray from stated expectations of ethical behavior, employees must understand that they have a proactive role in holding leaders accountable, and mechanisms for safeguarding against retaliation should be in place (e.g., ethics hotlines, ombudspersons, external grievance councils). In an organization that has a strong culture that is *not* supportive of ethical inquiry, there is little likelihood that employees will feel empowered to directly challenge unethical leadership or leadership activities; consequently, employees should also be educated as to alternate means of challenging aspects of unethical and toxic leadership that negatively affect them, such as finding allies to build coalitions and taking collective action (strength in numbers), paying close attention to organizational activities (i.e., reading organizational newsletters and local newspapers with a critical eye), and reporting unethical conduct as soon as possible.

To minimize feelings of paranoia and fear, organizational ethics programs should establish a means for employees to voice concerns in an environment that is supportive of ethical inquiry. Numerous organizations have ethics programs that include some form of ethics hotlines for employees to report suspected ethical misconduct. These interventions will likely fail, however, if employees believe that nothing will come of their complaint, and if they feel the intervention was established simply as "window dressing." Employees may also fail to challenge leaders or blow the whistle on known ethical misconduct because they fear retaliation. If the ethics hotline is to be successful in establishing a constructive environment for reporting, the organization should make the commitment to investigate every complaint, follow up with the complainant, and take every measure to ensure the reporter's identity and continued employment is protected to the fullest extent possible.

Finally, soliciting feedback from employees is imperative for understanding the human costs resulting from organization-wide ethical

misconduct. This process may be particularly valuable if solicited by researchers or professionals outside of the organization, both to encourage the likelihood of participation with less fear of retaliation as well as to increase the perceived legitimacy and importance of this feedback as part of an ongoing ethics dialog. Employees in our sample reported that they appreciated having an opportunity to voice their concerns, and while some incumbents doubted the interventions' likelihood of success, others were more willing to give the organization a chance to recover and were generally optimistic about organizational interventions. Ethics interventions that include continuous assessments of employee perceptions of the organization's culture (i.e., ethical climate) are just one method for providing a mechanism to solicit feedback; others may include monthly newsletters with a dedicated ethics column for questions and answers or scenarios, websites or blogs where employees can post ethical concerns, town hall forums that regularly address ethics issues, and awards or recognition for salient examples of ethical decision making.

Limitations

Studies examining individual reactions to events or practices are not without limitations, due to the subjective nature of perceptual studies. In this case analysis, only one organization was examined, thus disallowing generalization to other organizations. The intent of this study was to explore in-depth employees' perceptions, attributions, and emotional reactions to organizational corruption that occurred in their organization. The decision to use a qualitative approach was based on a desire to understand how corruption and ethical breaches affected incumbents and how they felt about the ethical scandal and those implicated. Qualitative methods allow for greater in-depth analysis of individual cases and are appropriate when conducting exploratory research regarding human emotions and reactions (Patton, 2002). Although perceptions should not be viewed as objective accounts of reality, this does not undermine employees' perceptions of actual instances of corruption in this context. The use of open-ended questions is an optimal method for eliciting the most salient emotions and visceral

reactions to the ethical climate of the organization. By content analyzing written responses rather than having employees respond via a fixed response format, we were able to elicit information about ethical issues important to employees in greater depth and detail, while retaining anonymity. Our analysis also identified numerous factors that can be measured in future research across multiple organizations using a combination of quantitative and qualitative research methods, thus increasing the potential to explore the generalizability of these results across organizational contexts.

A second limitation concerns the potential for respondent bias. As survey respondents were employees within the organization, it is possible that other organizational factors (aside from the corruption events) influenced how employees responded. To partially control for this bias, only statements containing responses to the corruption scandal were included in the analysis.

The choice to use a single method of analysis can also be considered a limitation in this study. To be sure, complementing content analysis of written survey responses with other qualitative methods (e.g., interviews) would have allowed for further probing into the emotional reactions and attributions within this sample, and would have likely enhanced our understanding of the human costs of organizational corruption. However, conducting ethics research in any organization, let alone an organization in the midst of a judicial examination, is challenging. Based on the level of fear and paranoid-based reactions to the ethical climate assessment, an anonymous written survey methodology may have been ideal, as we were unlikely to obtain such candid responses using an interview approach. As a result, future research should continue to utilize open-ended survey responses as a viable and anonymous method to elicit employee responses to ethical violations.

Overall, the findings of this case study open the door for ongoing research in both public and private sector organizations that are seeking to re-establish social legitimacy and recover from ethical corruption. We hope future research will continue to explore the human costs of corruption from the perspectives of survivors themselves, and begin to develop effective interventions for re-establishing the shattered trust in leaders and leadership in the wake of an ethical scandal.

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*School of Behavioral and Organizational Sciences,
Claremont Graduate University,
123 East Eighth Street, Claremont, CA, 91711,
U.S.A.
E-mail: kathie.pelletier@cgu.edu*