

## **Organizational Ethical Climate: A Systematic Review of Two Decades Exploring Trust, Leadership, and Sustainable Practices in the Digital Era**

Muhammad Umar Shahzad

Virtual University of Pakistan  
[muhammad.umar@vu.edu.pk](mailto:muhammad.umar@vu.edu.pk)

Muhammad Rizwan Saleem Sandhu

Virtual University of Pakistan

### **Abstract**

This systematic literature review covers two decades (2005-2024) to examine the developments in literature for the domain of organizational ethical climate and its associated outcomes for the organizations. Artificial intelligence (AI), remote work, and virtual leadership reshape the organizational ethical climate. Using a systematic search process for secondary data with the PRISMA framework, 69 articles were shortlisted from established databases. Building upon the available literature, this study explained how ethical climate contributes to the evolution of organizational culture and multidimensional trust in this digital era through the interventions by leadership. The findings of this study highlight the crucial role of psychological contract formation, training, and development for ethical decision-making. This study also highlights the critical role that organizational ethical climate can play in the changing business dynamics of today's world, as it enhances trust and integrity. The study also provides actionable strategies for ethical leadership in digital contexts. The study highlights the need for future research to focus on AI and sustainability within the boundaries of organizational ethical climates. As there is a rapid change in technology in the workplace, there is a gap in the literature to summarize the literature on the organizational ethical climate in the changing dynamics of digital work culture.

**Keywords:** Ethical climate, trust, psychological contract, digitalization, ethical leadership, training & development, employee behavior

## Introduction

In the modern-day business world, ethical considerations have become vital for organizations, especially when such organizations are increasingly relying on technology. Hence, ethical challenges have started emerging due to increased digitalization and the use of AI. For example, Amazon's use of AI in the recruitment process has been criticized due to potential bias against gender in the AI algorithm. Such situations have raised ethical dilemmas for organizations operating in the digital era. Increased use of AI by Microsoft for monitoring the performance of employees has also raised ethical concerns about trust and privacy for employees. The scope of ethical climate has now expanded from the traditional brick and mortar model to a more virtual context, remote work, and algorithm-based leadership decision making in the changing organizational norms and culture (Al Halbusi et al., 2024; Tang, 2024). Hence, there is a need to summarize the practices and needs for an organizational ethical climate in the changing era of the digital workplace. This study addresses that gap in the literature to further the body of knowledge on organizational ethical climate practices.

In the new age of the digital economy, the nature of challenges for digital leadership has changed entirely. According to Global Workplace Analytics, there has been a 173 % increase in the global remote work trend from 2005 to 2020. This requires ethical trust and multidimensional accountability in the virtual context for the organizations. Wells Fargo's famous case of unethical practices involved the creation of accounts that were not authorized, and this highlights the need for an ethical climate in the digital context for tackling systematic misconduct. Similarly, HireVue used AI in the hiring process for the clients without due transparency, which raises concerns for ethical conduct (Ragothaman et al., 2022). This requires a novel understanding of how the ethical climate can address the organizational challenges in this digital age (Haldorai et al., 2020; Kailay & Paposa, 2024; Liang et al., 2024).

This study examines the developments in organizational ethical climate from 2005 to 2024 with a particular focus on the evolving digital trends in the organizations. It highlights the complex interactions between ethical climate and various digital facets of work in organizational life, including employee behavior, leadership styles, cyber loafing etc., and the outcomes of promoting an ethical workplace culture in this digital era. Effective human resource management practices fundamentally shape the relationship between employers and employees, impacting organizational identity, employee empowerment, and response to initiatives. Companies like Patagonia have been successful in integrating digital tools with ethical practices. It highlights the evolving nature of ethical climate in organizations in this digital era (Altaker et al., 2018a; Chen, 2024; Roy et al., 2024). The occurrence of an ethical climate and adopting

a code of ethics are vital. In an evolving corporate digital setting, diverse stakeholders pay keen attention to an organization's business ethics. How employees perceive current laws, customs, and rules considerably influences the ethical climate. Given its impact on judgment, performance, and job satisfaction, executives are often encouraged to closely monitor their team members' views of the organization's ethical stance on different matters. The organizational ethical climate also affects the psychological contract based on shared expectations of moral conduct (Al Halbusi et al., 2024; Appelbaum et al., 2005; Chen & Tang, 2024).

The extent to which the employees maintain ethical standards aligns with the prevailing ethical climate, affecting the performance standards and the organization's overall ethical stance. Leadership plays a crucial role in determining ethical conduct, requiring inspection of how leaders' moral character evolves through ethical decision making. Ethical leadership enhances employee happiness and ethical behavior, and the establishment of the psychological contract relies on trust and empowerment in the workplace (Appelbaum et al., 2005; Du et al., 2024; Yang et al., 2023). Education and training support the creation and maintenance of an ethical culture. Employees' ethical behavior significantly influences the organization's development and preservation of an ethical culture. The ethical climate within organizations is the foundation for both ethical and unusual behaviors, directly impacting relationships, attitudes, and performance, influencing workers' ethical standards and organizational norms (Khan et al., 2024; Van den Bulcke et al., 2020). Another vital factor is responsible leadership, highlighting the critical importance of aligning ethical principles with leadership practices. Ethics-conscious leaders promote multi-stakeholder participation, eliminate dishonesty, and enhance employees' multilateral engagement in this digital era. The concept of the ethical climate is complex, reflecting how employees perceive regulations and ethical practices by guiding expectations of ethical behavior (Haldorai et al., 2020; Kailay & Paposa, 2024; Liang et al., 2024).

Organizational culture and human behaviors are influenced by the ethical climate, with unethical behavior being more prevalent in settings where ethical norms are unclear. There is a strong association between the behavior and attitude of employees with the organizational ethical climate (Gamage et al., 2024; Noh & Lee, 2022). Benevolent culture enhances trust in the workplace while egoism undermines this aspect even in this age of increased digital interaction. Different types of employees' attitudes, such as conscientious, egocentric values, and benevolent culture, can coexist in an organizational ethical climate. Employees' engagement also determines the type of ethical climate in the organizations. There has been research in the past regarding the association of ethical climate with the potential dynamics of psychological contract formation and the breach of psychological contract, along with its discussion with the social exchange theory and interpersonal persuasion at the

workplace (Koskenvuori et al., 2019b). Potential employees tend to favor companies with a strong ethical climate that aligns with their expectations (Köse & Köse, 2016).

This research is significant for scholars and practitioners wanting to learn from the existing and changing body of knowledge on organizational ethical climate. This study's Research question was “What has been the advancement in the organizational ethical climate in the last two decades in this age of rapid technological adaptation, changing modes of operations, and interpersonal communication at the workplace?”. Considering this context, this research paper addresses the need and motivation for this study; then, the methodology explains the thorough use of the PRISMA framework for shortlisting criteria of secondary data. Then, a comprehensive data analysis has been made, followed by discussion, implications and conclusion of the study.

### ***Motivation for Study***

Due to the current ethical and moral issues, contemporary organizations face the digital world. There is a growing realization to conduct impactful research on organizational ethical climate, as communication and interaction at the workplace have changed. There are more instances of increasing use of cyber loafing among employees and leaders at the workplace. People spread secret information inside and outside the organization, leading to a whistleblowing culture. Such aspects lead to a greater gap in the current literature to streamline the findings of past literature and help future researchers further enhance the research on organizational ethical climate in line with the needs of the modern era. This systematic literature review covers the period from 2005 to 2024. It is challenging to gauge the organizational measures for inculcating an organizational ethical climate in an era of rapid change for interpersonal interactions and digital communication. This study highlights the role of ethical climate in organizational life, along with a discussion on leadership practices and associated behaviors of the employees through which a specific culture of organizational ethical climate is always associated in this digital era. This study addresses all these aspects to some extent, as there is a gap in the literature to summarize the organizational ethical climate in the changing dynamics of digital work culture.

### ***Data and Methodology***

The past literature features various types of systematic review papers, such as framework-based reviews (Paul et al., 2023), hybrid-narrative reviews incorporating a framework for guiding future research agenda (Bota-Avram, 2023; Roy et al., 2024), and structured reviews that focus on commonly used methods, theories, and constructs (Rosado-Serrano et al., 2018). In line with the objectives of this study, the researcher adopted a structured review approach, emphasizing widely accepted approaches, theories, and constructs concerning the concept of ethical climate (Kahiya, 2018).

There is an urgent need to consolidate the existing body of knowledge on ethical climate to advance scholarship, as practitioners and academia increasingly utilize the concept of ethical climate. For future researchers, engaging in research-based studies offers distinct advantages, as it simplifies the continuation of research and contributes to the development of the field. The period for the selection of articles was 2005 to 2024. This is because there has been a reasonable surge in the studies on organizational ethical climate during this era, and there is a need to summarize that literature. Moreover, reports of ethical violations in the digital workspace have been growing due to the increasing use of digital work culture. Hence, there is a dire need to review the literature on organizational ethical climate from the lens of the novel approach (Macpherson & Holt, 2007).

### ***Selection of Databases***

Only peer-reviewed English-language papers were selected from reputable publisher databases, including Science Direct (Elsevier), Emerald, JSTOR, SpringerLink, Taylor & Francis, and Wiley-Blackwell, as well as from Google Scholar. These publishers, which have been utilized in previous systematic analyses, represent the most commonly used search sources for academic publications in business and management.

### ***Article Selection***

Different keywords related to ethical climate were used to search for secondary data. In a systematic literature review, search strategies such as "searching for keywords in the title" prove to be useful, especially when the volume of available literature is large enough (Pittaway et al., 2004). The study's depth and scope were also considered closely in the keyword selection process. Keywords used in this study were: "organizational ethical climate," "ethical climate," "functions of ethical climate," "organizations and ethical climate," and "HRM and ethical climate". The final selection was made of 69 English language articles, which were peer reviewed and had a clear relevance to the topic and the abstract. Later on, after a detailed review of the shortlisted articles, we incorporated the major concepts available in the literature into this systematic literature review. Hence, themes and propositions were extracted from similar literature / secondary data findings. These themes will be helpful for future researchers to do empirical testing and validate the theory.

### ***Use of the PRISMA Framework***

An international group of academicians developed a framework called the PRISMA (Preferred Reporting Items for Systematic Reviews and Meta-Analyses) framework in 2009 as a standard for meta-analysis and systematic literature reviews.

The PRISMA framework ensures that the methodology and results of such studies are clear and transparent (Moher et al., 2009).

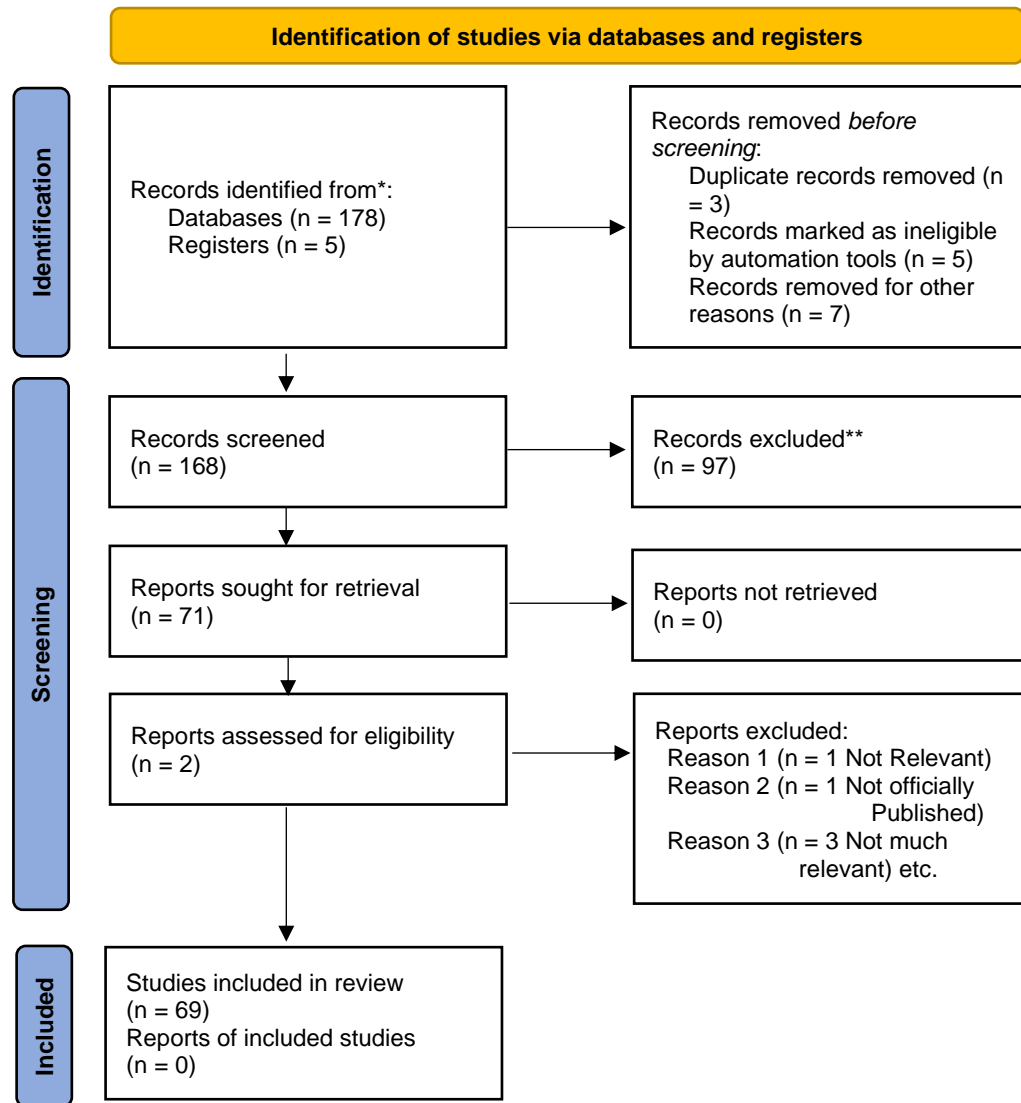


Figure 1: *PRISMA Framework for the Screening of Relevant Research*

### Literature Review and Propositions

As perceptions on corporate responsibility and business ethics have changed over time, so has the idea of an ethical climate in organizational situations. Early talks in the middle of the 20th century were mainly concerned with adhering to professional rules of behavior and legal requirements. Victor and Cullen's groundbreaking work in 1988 was a key turning point contributing to a thorough comprehension of the ethical

climate. Their debate on organizational ethical climate identified it as a concept that highlights a set of shared values and standards (Altaker et al., 2018b; Chen & Tang, 2024; Maisonneuve et al., 2024). Later, scholars worked in this domain and explored how the ethical climate impacts leadership, employee behavior, and overall performance (Altaker et al., 2018b). When organizations try to align their operations with the needs of society and as per the expectations of stakeholders, most of the time, they start to establish a strong base of ethical climate within the organization that has a spillover effect on the external stakeholders (Al Halbusi et al., 2024; Schneider & Barbera, 2014).

HR policies that are effective for an organization to prove helpful for establishing better relationships among employers and employees by enabling the effective formation of psychological contracts and social exchange processes. Literature from social exchange theory and psychological contract theory supports this debate in the previous literature (Du et al., 2024; Vinet & Zhedanov, 2010). Organizational identity and psychological empowerment positively enhance the perception of an ethical climate. Employees develop better cognitive responses to organizational initiatives when they are psychologically empowered. Findings of literature like these have theoretical implications; hence, one of the theoretical implications of it may be that the ethical climate can be examined through the lens of social exchange theory (Zagenczyk et al., 2020).

In the modern era of rapid change and digitalization, stakeholders scrutinize the organizational commitment to ethical business conduct, whether for the external environment or its internal public (Martínez-del-Río et al., 2012). Employees' perceptions about the organizational norms, conventions, and practices also shape the ethical climate (Khan et al., 2024; Victor & Cullen, 1988). As organizational learning and ethical climate are the associated factors, it strengthens the argument that the ethical climate needs to be studied from the standpoints of both social exchange theory and psychological contract theory. The psychological contract refers to mutual expectations of employees at the workplace (Bris et al., 2021; Burton et al., 2017).v Hence, based on this learning, the following proposition may be further validated by future scholars of organizational ethical climate:

*Proposition 1:* Effective human resource management policies and practices positively influence the development of an ethical climate within organizations.

An important aspect of management literature studied in the past is the role of social information on cognitive attributions about the organization. People tend to use that social information to create a belief system and reciprocal expectations, which is also associated with the work-related inputs of employees (Longoni et al., 2018; Otte, 2015). It highlights the important role of ethical climate in forming attitudes and

behaviors (Al Halbusi et al., 2021; Altaker et al., 2018a; Burton et al., 2017). Scholars have also found that job satisfaction, productivity, and judgment of employees are associated with organizational ethical climate. Leadership is crucial in maintaining a favorable ethical climate within the organization. Leadership also plays a direct role in shaping the organization's HRM policies and their implementation in an ethically sound climate, influencing ethical values and practices adopted by employees (Khan et al., 2024; Victor & Cullen, 1988). Hence, based on this learning, the following proposition may be further validated by future scholars of organizational ethical climate:

*Proposition 2:* Organizational culture and values directly impact the ethical climate, with organizations that prioritize ethical values nurturing a more favorable ethical climate.

According to their research, leaders must be attuned to how their employees perceive the organization's ethical stance embedded in its culture. It is essential to note that leadership behaviors not only influence how employees view their organization's ethical culture but also impact their ethical conduct (Chen, 2024; Du et al., 2012). Ethical culture effectively shapes the ethical climate through leaders' behaviors and decisions, which, in turn, affect how employees perceive and feel about the organization's ethical standards and principles.

Major themes that have emerged from the literature after this systematic literature review on organizational ethical climate include the following:

#### ***Ethical Climate in the Context of Organizational Type and Employees' Satisfaction***

An organization's professionally enriched, ethical climate boosts managers' satisfaction and cultivates ethical leadership. Likewise, ethical leadership contributes to further developing the ethical climate within the organization. Employees working under ethical leaders experience higher job satisfaction and greater role clarity. Pioneering work by (Al Halbusi et al., 2024; Roy et al., 2024; Victor & Cullen, 1988) paved the way for subsequent scholars, who have delved into the concept of ethical climate (Wang & Yen, 2023).

This dimension within organizations serves as the wellspring of ethical and deviant behaviors. Individuals who align themselves with the ethical principles of their institution generally correspond with the prevailing ethical climate, while those who feel their rights are unaddressed due to various reasons, including ethical dilemmas, are more prone to engage in deviant behavior (Al Halbusi et al., 2024; DeConinck, 2011).



**Table 1***Summary of Key Findings from the Literature Review*

Emerging Patterns in Recent Studies	Key Findings	Implications
Antecedents of Ethical Climate	Policies regarding HR, ethical leadership, organizational culture etc., significantly influences the formation of ethical climate (Altaker et al., 2018b).	It aligns with the expectations of stakeholders and formation of psychological contract. It also promotes trust and accountability.
Role of Leadership	Transformational leadership generates a positive culture of ethical climate; responsible leadership improves the psychological engagement (Haldorai et al., 2020; Kim & Vandenberghe, 2020).	Training on leadership should include ethical deliberations to bring into line the organizational goals with ethical practices.
Employee Behavior	Ethical climate advances organizational citizenship behavior, job satisfaction, and reduces workplace deviance (Martin & Cullen, 2006; Gorsira et al., 2018).	Established ethical climates improves employee morale and organizational performance.
Training and Development	Training programs intensive for ethics strengthen the employees' perception of the ethical climate (Schneider & Barbera, 2014).	Essential for promoting ethical consciousness and for positioning employee conduct with organizational standards.
Outcomes on Performance	Effective ethical climate correlates with higher organizational performance (Duane Hansen et al., 2016; Demirtas & Akdogan, 2015).	Ethical climate is a strategic asset for competitive advantage and long-term organizational success.
Psychological Contract	Ethical climate forms employees' attitude and mutual expectations in psychological contracts (Curtis, 2015).	Safeguards configuration between individual and organizational ethical primacies.
Cultural Considerations	Collectivist cultures may display a robust, benevolent ethical climate, and leadership must adapt to cultural norms (Koskenvuori et al., 2019b).	Cultural sensitivity in ethical climate policies is vital for multinational business operations.

An effective organization endeavors to align its deliberate strategic orientation with the ethical standards delineated in its policy framework. The ethical climate within organizations thrives on the ethical actions of individual employees and the leadership's adherence to ethical principles. In collectivist cultures, such as those prevalent in most Asian countries, cultural elements, age, gender, education, and family norms play a role in influencing the extent to which individuals adopt ethical practices. Leadership style serves as one of the antecedents of the ethical climate (Decoster et al., 2021; Gorsira et al., 2018; Wang & Yen, 2023). Furthermore, a leader's moral development over time significantly influences the organizational ethical climate. Leaders guide an organization through ethical dilemmas by making deliberate and emergent strategic decisions. Hence, based on this learning, the following proposition may be further validated by future scholars of organizational ethical climate:

*Proposition 3:* The type of organization (e.g., private sector, public sector, non-profit) influences the development and strength of the ethical climate within the organization.

#### ***Moral Self-efficacy and Performance***

Ethical leadership plays a dual role in cultivating a favorable organizational ethical climate and elevating employees' ethical voice, moral efficacy, and organizational citizenship behavior. These favorable outcomes are more pronounced in teams operating within a robust ethical climate (Al Halbusi et al., 2021; Roy et al., 2024). The nature of an organization's ethical climate, whether formal or informal, is also influenced by its organizational type. For example, informal ethical climates are less common in bureaucratic and rule-based organizations like the military. However, in civilian organizations, especially within the private sector, norms of ethical climate often gradually evolve through informal interactions among employees.

While organizations often have established rules and codes of conduct, the interpretation of these regulations by leadership can sometimes be ambiguous (Pagliaro et al., 2018; Roy et al., 2024). Thus, educating employees on ethical conduct in the workplace is essential for modern-day organizations. A strong ethical climate signifies that employees wholeheartedly embrace the organization's ethical values. For organizational norms, rules, and behaviors to be adopted, most employees must endorse the existence of ethical norms (Akdoğan & Demirtaş, 2014; Demirtaş & Akdoğan, 2015; Martin & Cullen, 2006). Failure to do so can create dilemmas for the leadership of such organizations. Hence, based on this learning, the following proposition may be further validated by future scholars of organizational ethical climate:

*Proposition 4:* An organization's ethical climate directly impacts an individual's and the organization's performance.

***Employees' Role in Enforcing and Job Satisfaction***

Practitioners widely acknowledge that an individual's ethical behavior is a fundamental precursor to shaping an organization's ethical climate. Recently, several world-renowned brands faced scrutiny due to unethical business practices, tarnishing their reputation. However, these brands later recognized that an ethical approach could have provided them with an even greater advantage in the business world (Akdoğan & Demirtaş, 2014; Al Halbusi, Ruiz-Palomino, et al., 2021). Notably, senior leadership and board of directors within many of these corporations and famous brands took proactive measures against malpractices, leading to corrective actions and increased business success. Consequently, managers within these organizations revamped their recruitment and selection procedures, provided comprehensive training, and adopted stringent control measures to promote ethical conduct in their business operations. (Gorsira et al., 2018; Maisonneuve et al., 2024).

In business-oriented organizations, particularly those in the service industry, the ethical climate is paramount for frontline employees who directly engage with customers. Management scholars should delve deeper into employees' perceptions of the ethical climate in various contexts and through relevant theoretical lenses. Employees' day-to-day interactions and dealings with other organizational stakeholders, such as customers, reflect the ethical climate. To understand the developments in the ethical climate, it is also essential to trace its historical evolution. Employees acting unethically for personal gain often face repercussions at the workplace (Koskenvuori et al., 2019b; Weber & Opoku-Dakwa, 2022). Similarly, those employees who engage in unethical actions to benefit the company may also face consequences, albeit of lesser severity. A future study comparing ethical violations in private versus public sector organizations could offer valuable insights. In both scenarios, employees should adhere to organizational rules while remaining vigilant about hidden unethical practices to avoid them (Khan et al., 2024; Martin & Cullen, 2009).

Some companies prioritize core ethical standards, striving to elevate the ethical benchmarks stipulated by regulators (Akdoğan & Demirtaş, 2014). Perceived ethical climate hinges on individuals' perceptions of a robust code of ethics within the company. If they perceive the absence of such a code, the perceived ethical climate loses its strength. A business-oriented organization may adopt either a transactional/economic focus or a relationship-oriented approach (Altaker et al., 2018a). The latter, emphasizing ethics and long-term relationships, tends to foster a more favorable ethical climate (Customers must be properly guided by the businessperson about what should be purchased according to business ethics). Past research underscores the correlation between strong ethical values, the existence of an

ethical climate, and business success. For long-term success, organizations must adopt a certain code of ethics, implement ethical business procedures, and provide relevant employee training (Noh & Lee, 2022). Hence, based on this learning, the following proposition may be further validated by future scholars of an organizational ethical climate:

*Proposition 5:* A positive ethical climate within an organization is positively correlated with higher levels of job satisfaction among employees.

### ***Ethical Climate and Employees' Behavior***

Previous research indicates that employees favor jobs offering a better interpersonal environment, effective social exchange, and a sound organizational ethical climate. Employees often prioritize factors beyond mere self-interest, such as better compensation. Consequently, managers should emphasize maintaining a friendly workplace atmosphere alongside a robust ethical code of conduct. The ethical climate is intricately linked with employees' performance, attitudes, and behavior. Organizations should focus on implementing aspects of the ethical climate that benefit the organization financially and contribute to the psychosocial well-being of employees. Organizational identification acts as a catalyst for employees' ethical conduct and has been explored through the lens of social identity theory (Burton et al., 2017; Khan et al., 2024).

Prior research has examined the ethical climate regarding employees' attitudes and behaviors, as well as their resultant emotions, satisfaction with employers, jobs, and peers' organizational commitment, ethical and agile service orientation, employee perceptions of career moves and turnover, citizenship behavior, workplace corruption and deviant behavior, as well as absenteeism and turnover intention (Al Halbusi et al., 2021; Martin & Cullen, 2006; Teresi et al., 2019). While much prior research has centered on the positive and productive behaviors of individuals and the prevention of adverse outcomes like deviant behavior, there remains a need to explore various dynamics of the ethical climate in the context of social exchange and how employees aim for ethical persuasion within the context of team-member exchange (Gorsira et al., 2018; Khan et al., 2024; Maisonneuve et al., 2024).

In the past, researchers have viewed the ethical climate as an all-encompassing or multi-dimensional but not all-inclusive construct. Research has shown that individuals in a certain group, team, or organizational setup exhibit varying degree of emphasis on ethical matters. Not all employees readily embrace a strict code of ethics, and there are situations where policies, ethics, and the organizational code of conduct may not clearly define the course of action. In such scenarios, if feasible, managers should adopt a flexible approach, recognizing that human capital is a valuable asset for

the organization that should not be squandered through high turnover or psychological stress caused by rigidly adhering to ethics and rules in every situation (Al Halbusi et al., 2021). Individual behaviors shaped by the ethical climate also have a psychological component. When an organization fosters an ethical climate, employees tend to align themselves accordingly, at least in visible work practices. In contrast, when ethical conduct is not consistently evident, employees may lean toward a self-interested approach in situations lacking stringent audit and control mechanisms (Demirtas & Akdogan, 2015; Maisonneuve et al., 2024). Hence, based on this learning, the following proposition may be further validated by future scholars of organizational ethical climate:

*Proposition 6:* An organization's ethical climate influences employee behavior, resulting in increased engagement in organizational citizenship behavior and adherence to ethical standards.

The literature review shows that there are the following antecedents and outcomes of ethical climate at the workplace, as shown in the figure below.

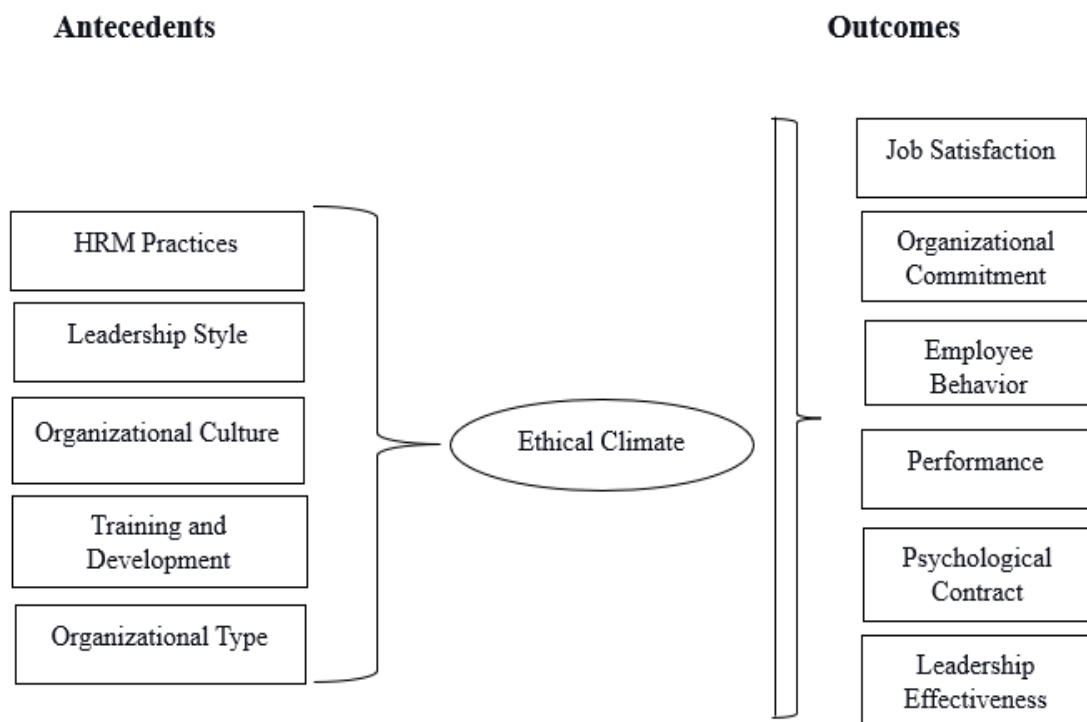


Figure 2. *Antecedents and Outcomes of Ethical Climate*

***Role of Training in the Implementation of Ethical Climate***

The growing emphasis on ethics and ethical dilemmas in human resource development (HRD) underscores the need for discussion and awareness in this field. HRD, a branch of HRM primarily concerned with training and development, often encounters freshly hired graduates who may lack sufficient knowledge about the ethical challenges that arise within organizations. Nonetheless, they are expected to demonstrate ethical conduct and, in many instances, even play a role in training their colleagues to uphold a strong ethical climate.

Numerous past studies have revealed a high incidence of ethical misconduct within organizations, stemming from various interpersonal, social, psychological, and financial issues. The Ethics Resource Center in Washington reports that approximately half of newly hired employees encounter ethical problems yearly. This underscores the organizational imperative to prioritize addressing such dilemmas, with prior training and development programs proving highly beneficial. In a survey, 67% of senior management staff, particularly chief compliance officers, expressed the need for organizational support and training to understand the organizational ethical climate better. This underscores the role of human resource development activities in instilling an ethical climate as a vital institutional component. Responsibility to provide training on ethical issues to enhance the organizational ethical climate must be taken by the top management of organizations (Al Halbusi et al., 2021; Pagliaro et al., 2018; Schneider & Barbera, 2014). Hence, based on this learning, the following proposition may be further validated by future scholars of organizational ethical climate:

*Proposition 7:* Training and development programs focusing on ethics positively influence employees' perception of the ethical climate and their ethical behavior.

***Responsible Leadership and Ethical Climate***

Responsible organizational leadership involves a conscientious consideration of the moral and ethical concerns of both internal and external stakeholders. Ethical leaders who prioritize these concerns demonstrate alignment with environmental and societal issues. They adhere to ethical norms, which, in turn, reduce dishonesty and encourage multi-stakeholder participation in the decision-making process. Moreover, responsible leadership enhances psychological engagement among employees by aligning their personal goals with the organizational objectives (Kim & Vandenberghe, 2020; Martin & Cullen, 2009). These leadership actions set the course for the ethical climate within the organization, guiding employees toward a specific direction for organizational success. Ethical climate positively affects employee performance and satisfaction. However, if organizational norms related to the ethical climate are ambiguous due to past strategic patterns, it can create a dilemma for employees, leading

to ambiguity in the decision-making process (Haldorai et al., 2020; Maisonneuve et al., 2024).

Understanding the persuasion process by observing managers in various team meetings. This observation highlighted the importance of persuaders possessing high levels of credibility and communication skills, particularly effective listening. A higher level of ethical climate emphasizing company rules, professional code of conduct, and legal compliance reduced workplace conflict and enhanced overall job satisfaction. This emphasis on ethics may lead to a psychological contract that fosters organizational citizenship behavior in the workplace. Current research suggests that employees prefer to work in an environment characterized by a benevolent and principle-based ethical climate rather than an egoistic one (Akdoğan & Demirtaş, 2014; Al Halbusi et al., 2021; Koskenvuori et al., 2019b).

Employee attitudes can coexist within the same organization, with egocentric, conscientious, and benign ethical climates. Managers seeking to develop a trustworthy environment should focus on interventions that enhance a benevolent ethical climate. A benevolent ethical climate plays a positive role in building trust within the organization. The impact of ethical climate on leadership and employee voice behavior is important, emphasizing the role of leadership style in employees' voice behavior (Al Halbusi et al., 2021). The presence of an ethical climate in the organization leads to higher employee engagement and a willingness to address self-serving leadership behavior. The study also found that employees perceived a higher level of ethical climate more positively than organizations with a lower level of ethical climate. Ethical climate as a shared perception enables employees to distinguish between right and wrong behavior. This shared perception shapes shared conduct at the workplace and hence, employees are attracted to those organizations that have an established ethical climate of positive values (Al Halbusi et al., 2021; Maisonneuve et al., 2024). Hence, based on this learning, the following proposition may be further validated by the future scholars of organizational ethical climate:

*Proposition 8:* Style of leadership in an organization affects ethical climate within an organization where transformational leadership often produces more positive outcomes

Ethical climate is a concept with multiple dimensions that can influence the attitude and behavior of employees. Such a culture where a positive organizational ethical climate is perceived well then starts aligning with the shared norms of organizational culture. Contrary to that, unethical behaviors are prevalent in those organizations where the ethical climate is either absent or the organizational norms and policies are not well defined (Teresi et al., 2019). The absence of a positive ethical climate can be detrimental to organizational performance and it may potentially lead to

manipulation of resources, organizational politics, and turnover intentions among high achievers of the organizations. The ethical climate within a company reflects the issues deemed important for fair dealing by its members and how the organization addresses these issues (Koskenvuo et al., 2019b). Situations involving conflicts of interest, lack of regulatory oversight, and other such circumstances often pose a leadership dilemma, requiring a choice between opportunistic short-term strategies or ethical, long-term approaches. Hence, based on this learning, following proposition may be further validated by the future scholars of organizational ethical climate:

*Proposition 9:* The psychological contract, shaped by employees' perceptions of the ethical climate, plays a significant role in determining their attitudes and behaviors within the organization.

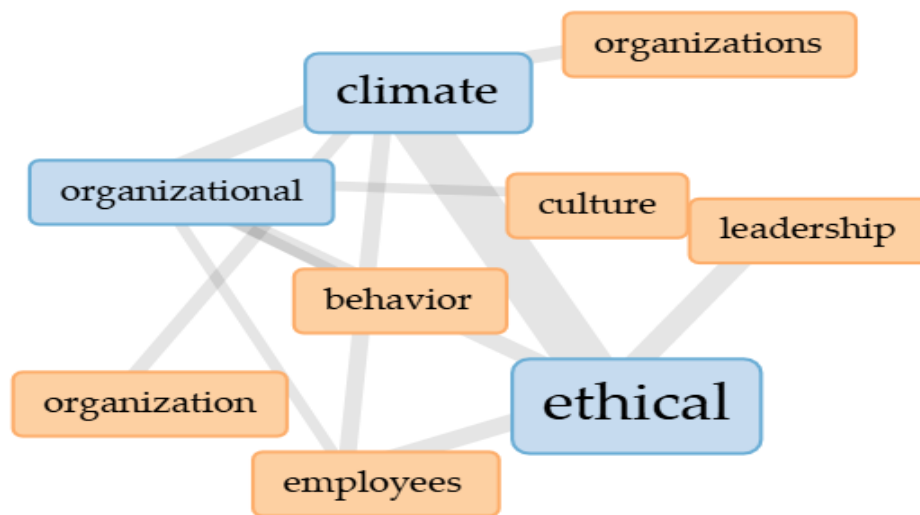


Figure 4. Cluster of Key Terms with Line Thickness Showing the Strength of Association

The significance of a perceived ethical climate is always established, highlighting those employees often make external attributions about the organization based on their perception of its ethical climate. This perception of the ethical climate plays a crucial role in generating trust among employees, as it gives them the sense that they would receive support from others within the organization during challenging times, particularly when it comes to adhering to ethical conduct. The ethical climate serves as a source of information that leads to employees believing in the organization's unwavering support for ethical behavior. However, it's important to recognize the relevance of social exchange in the context of an ethical climate within organizations. These benevolent motives and supportive aspects of the organization should be



effectively conveyed to employees by human resource managers (Al Halbusi et al., 2024; Duane Hansen et al., 2016).

Individuals expect to find an ethical climate within the organization, particularly in persuasive organizational environments, as such an ethical climate nurtures interpersonal social exchange, such as team-member exchange, in line with the principles outlined by the past literature (Bolino et al., 2016; Conway et al., 2011; Maisonneuve et al., 2024).

*Proposition 10:* A strong ethical climate is positively associated with increased organizational commitment among employees.

Literature in the past has shown that those organizational cultural aspects, where organizational ethical climate gets nourished by the leaders has more favourable situation for employees to perform well (Maisonneuve et al., 2024).. Hence, based on this learning, following proposition may be further validated by the future scholars of organizational ethical climate:

*Proposition 11:* Effective leadership within an ethical climate enhances leadership effectiveness, as leaders who promote ethical behavior experience greater success in managing their teams.

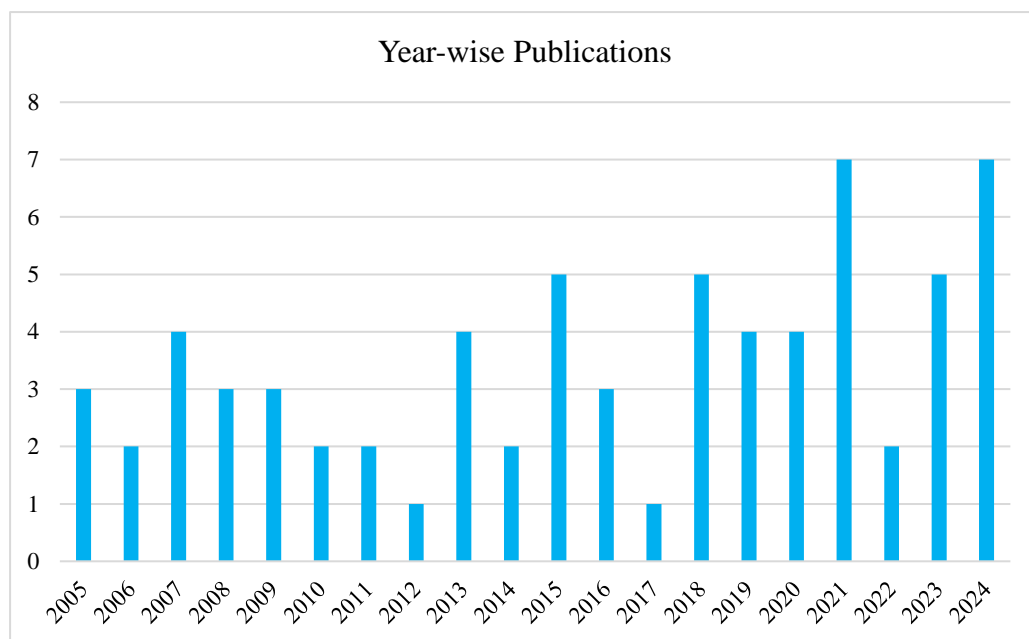


Figure 5. Year-wise Record of Publications Included in this Study



Figure 6. Word Cloud Extracted from the Text of the Current Research Study

## Results and Discussion

This study used the Preferred Review of Items for Systematic Review and Meta-Analysis (PRISMA) Framework to analyze the literature of organizational ethical climate for the last two decades of the twenty-first century. Based on the emerging literature trends, eleven propositions have been identified that require empirical validation by future researchers. The study highlighted that most of the benefits or organizational ethical climate are positive, and hence, organizations' overall productivity is enhanced due to an impetus in organizational ethical climate (Bolino et al., 2016; Conway et al., 2011; Maisonneuve et al., 2024). Practices within human resource development can contribute to nurturing an ethical environment by incorporating principles such as transparency, trustworthiness, accountability, employee well-being, and individual rights. A managerial commitment to corporate social responsibility further contributes positively to shaping a shared perception of organizational norms among individuals (Appelbaum et al., 2005; Wang & Yen, 2023).

The presence of an ethical climate in the organization leads to higher employee engagement and a willingness to address self-serving leadership behavior. The study also found that employees perceived a higher ethical climate more positively than organizations with a lower ethical climate. Ethical climate as a shared perception

enables employees to distinguish between right and wrong behavior. This shared perception shapes shared conduct at the workplace and hence, employees are attracted to those organizations that have an established ethical climate of positive values; thereby, enhancing the overall productivity of the organizations (Al Halbusi et al., 2021; Maisonneuve et al., 2024). The following section highlights the study's implications and provides an overall conclusion of this research.

### ***Theoretical Implications***

The comprehensive literature review conducted for this study offers insightful information on the complex relationship between organizational life and ethical climate. Nurturing and upholding a strong ethical climate have become essential for organizations operating in an increasingly complex business world. It uplifts an organization's overall standards of work, including employees' well-being. This is a debate that is well established in recent literature. Trust and responsibility are enhanced in employees with an ethical leadership style. Organizations must strive to adopt leadership training programs that enhance ethical and technical or work-related abilities. Adoption of an ethical climate becomes easier in a culture of encouragement and praise by the ethical leadership (Chen, 2024; Roy et al., 2024; Saini & Sengupta, 2021).

Psychological contact formation greatly influences employees' ethical behaviors and expectations. Employees tend to act more ethically when they think their beliefs align with the organization's. Hence, psychological contract dynamics are crucial for the organizational ethical climate. (Curtis, 2015). It is important to have a consistent ethical culture within the organization. Rules and policies guide ethical behaviors; however, ethical behaviors are not always defined by every organization. Professional support for organizational ethical climate enhances happiness and a productive culture at the workplace (Al Halbusi et al., 2021; Roy et al., 2024). Hence, organizations should inculcate an ethical climate to enhance well-being and overall satisfaction. Moreover, happy and productive workers can give any organization a competitive advantage.

### ***Practical Implications***

Stakeholders also closely monitor the ethical conduct of organizations. It is also the organization's moral responsibility and strategic need to adopt an ethical climate. Training and development are the essential components for evolving a culture of ethical climate, and this is linked with the priorities of top management as well. Such human resource development practices through regular training activities can promote accountability, respect for mutual rights, and overall well-being. New employees must be able to recognize ethical issues for a better resolution, for which persistent guidance

and managerial communication are essential. That is why the involvement of managers is essential for developing an ethical climate and positive personal values (Gorsira et al., 2018).

The presence or absence of an organizational ethical climate influences various aspects of organizations. These may include, but are not limited to, attitude and behaviors, happiness at the workplace, and overall productivity. Managers, therefore, need to act smartly to take care of a positive organizational culture. This is critical in the changing business world with intense competition (Bota-Avram, 2023; Schneider & Barbera, 2014). Hence, moral compliance for the organization becomes easier for external measures if the employees feel that an ethical climate exists. For example, those managers who want to take measures of sustainability and corporate social responsibility would be in a better position to convince their employees if they already have good ethical conduct within the organization. Based on our findings, the organizations can nurture an ethical climate by:

- Implementing regular training programs focused on ethical decision-making and accountability within the organizational decision-making paradigms.
- Encouragement of managerial involvement and open communication to promote positive personal values.
- Prioritization of employee well-being and respect for mutual rights.
- Developing clear guidelines for recognizing and resolving ethical issues.
- Leading by example, with top management indicating strong ethical conduct.

By adopting these practices, organizations can enhance their ethical climate, improve employee attitudes and behaviors, and increase overall productivity, ultimately supporting sustainability and corporate social responsibility initiatives.

### ***Limitations and Directions***

Although this review-based study has explored a depth of connections between ethical climate and its associated outcomes, there are still avenues for future researchers. Digital platforms and cutting-edge technologies have changed the interaction among workers in the 21st century. The role of the ethical climate in such a scenario requires more exploration. With the advent of artificial intelligence and data science, it remains to be seen how such domains of technology can help gauge ethical conduct and advance knowledge in this domain.

Cultural aspects, especially for organizations working across a global culture, must be studied to determine how they are linked with the ethical climate. It is also important to study the long-term consequences of the presence or absence of ethical climate, especially for sustainability and organizational performance measures.

Research must also link an ethical climate with external stakeholders such as suppliers, customers, and communities. Green psychological climate is also gaining attention (Saleem et al., 2020, 2021) as a special type of organizational ethical climate, and further research is needed to inculcate green employee behaviors.

### **Conclusion**

This review-based study explained how adopting an ethical climate impacts an organization. The results of this study highlight the crucial role that ethical climate can play in enhancing accountability, happiness, and trust in the workplace. As organizations face complex ethical issues in the changing workplace dynamics, adopting an ethical climate has become ever so important for organizations, including commercial and non-commercial organizations. Training programs can shape the formation of position psychological contracts at the workplace, and priorities of ethical leadership matter a lot for all this. An ethical climate also promotes the welfare of employees through ethical compliance. Hence, this study provided a roadmap for developing an organizational ethical climate in the changing dynamics of the workplace.

### **References**

- Al Halbusi, H., Ruiz-Palomino, P., Morales-Sánchez, R., & Abdel Fattah, F. A. M. (2021). Managerial ethical leadership, ethical climate and employee ethical behavior: Does moral attentiveness matter? *Ethics and Behavior*, 31(8). 604-627.
- Al Halbusi, H., Tang, T. L.-P., Williams, K. A., & Ramayah, T. (2024). Do ethical leaders enhance employee ethical behaviors? Organizational justice and ethical climate as dual mediators and leader moral attentiveness as a moderator: Empirical support from Iraq's emerging market. In *Monetary Wisdom* (pp. 317–337). Elsevier.
- Al Halbusi, H., Williams, K. A., Ramayah, T., Aldieri, L., & Vinci, C. P. (2021). Linking ethical leadership and ethical climate to employees' ethical behavior: the moderating role of person–organization fit. *Personnel Review*, 50(1). 159-185.
- Altaker, K. W., Howie-Esquivel, J., & Cataldo, J. K. (2018). Relationships among palliative care, ethical climate, empowerment, and moral distress in intensive care unit nurses. *American Journal of Critical Care*, 27(4). 295-302.

- Appelbaum, S. H., Deguire, K. J., & Lay, M. (2005). The relationship of ethical climate to deviant workplace behaviour. *Corporate Governance: The International Journal of Business in Society*, 5(4), 43–55.
- Bolino, M., Long, D., & Turnley, W. (2016). Impression management in organizations: critical questions, answers, and areas for future research. *Annual Review of Organizational Psychology and Organizational Behavior*, 3(1), 377–406.
- Bota-Avram, C. (2023). Bibliometrics research methodology. In *Science mapping of digital transformation in business: A bibliometric analysis and research outlook* (pp. 9-13). Cham: Springer.
- Burton, L. J., Peachey, J. W., & Wells, J. E. (2017). The role of servant leadership in developing an ethical climate in sport organizations. *Journal of Sport Management*, 31(3), 229–240.
- Chen, H. (2024). The ethical challenges of educational artificial intelligence and coping measures: A discussion in the context of the 2024 World Digital Education Conference. *Science Insights Education Frontiers*, 20(2), 3263–3281.
- Chen, Z., & Tang, Z. (2024). The effect of caring ethical climate on employees' knowledge-hiding behavior: evidence from Chinese construction firms. *Humanities and Social Sciences Communications*, 11(1), 1-13.
- Conway, N., Guest, D., & Trenberth, L. (2011). Testing the differential effects of changes in psychological contract breach and fulfillment. *Journal of Vocational Behavior*, 79(1), 267–276.
- Curtis, M. (2015). Discussion of “ethical climate, social responsibility and earnings management”. *Journal of Business Ethics*, 126, 61–63.
- DeConinck, J. B. (2011). The effects of ethical climate on organizational identification, supervisory trust, and turnover among salespeople. *Journal of Business Research*, 64(6), 617–624.
- Decoster, S., Stouten, J., & Tripp, T. M. (2021). When employees retaliate against self-serving leaders: The influence of the ethical climate. *Journal of Business Ethics*, 168(1), 195–213.
- Demirtas, O., & Akdogan, A. A. (2015). The effect of ethical leadership behavior on ethical climate, turnover intention, and affective commitment. *Journal of Business Ethics*, 130(1), 59-67.

- Du, S., Babalola, M. T., D’cruz, P., Dóci, E., Garcia-Lorenzo, L., Hassan, L., ... & Van Gils, S. (2024). The ethical, societal, and global implications of crowdsourcing research. *Journal of Business Ethics*, 193(1), 1-16.
- Djatniko, E., Nugroho, M. A. S., & Sofiati, S. (2025). Pengaruh kepemimpinan, kompetensi, disiplin kerja, dan lingkungan kerja terhadap kinerja personel akademi militer. *Jurnal Riset Manajemen Akuntansi Indonesia*, 3(2), 253-282.
- Duane Hansen, S., Dunford, B. B., Alge, B. J., & Jackson, C. L. (2016). Corporate social responsibility, ethical leadership, and trust propensity: A multi-experience model of perceived ethical climate. *Journal of Business Ethics*, 137(1), 649–662.
- Gamage, A., Pyke, J., & de Lacy, T. (2024). Building resilience and sustainable HRM in the visitor economy: An uneasy relationship. *Journal of Hospitality and Tourism Management*, 58(2), 497–505.
- Gorsira, M., Steg, L., Denkers, A., & Huisman, W. (2018). Corruption in organizations: Ethical climate and individual motives. *Administrative Sciences*, 8(1). 4-15.
- Haldorai, K., Kim, W. G., Chang, H. S., & Li, J. J. (2020). Workplace spirituality as a mediator between ethical climate and workplace deviant behavior. *International Journal of Hospitality Management*, 86(1), 102–137.
- Kahiya, E. T. (2018). Five decades of research on export barriers: Review and future directions. *International Business Review*, 27(6), 1172-1188.
- Kailay, M., & Paposa, K. K. (2024). Sustainable human resource management in the hospital sector: A review of literature. *Journal of Health Management*, 2(21), 97-120
- Khan, M., Usman, M., Shafique, I., Ogbonnaya, C., & Roodbari, H. (2024). Can HR managers as ethical leaders cure the menace of precarious work? Important roles of sustainable HRM and HR manager political skill. *The International Journal of Human Resource Management*, 35(10), 1824–1850.
- Kim, D., & Vandenberghe, C. (2020). Ethical leadership and team ethical outcomes: The roles of team moral efficacy and ethical climate. *Academy of Management Proceedings*, 20(1), 172-185.
- Köse, T., & Köse, S. D. (2016). The effect of ethical leadership on perceived organizational identification: The mediating role of ethical climate. *The International Journal of Business & Management*, 4(1), 368-373.

- Koskenvuo, J., Numminen, O., & Suhonen, R. (2019). Ethical climate in nursing environment: a scoping review. *Nursing ethics*, 26(2), 327-345.
- Liang, X., Taddei, M., & Xiao, Q. (2024). Sustainable human resource management: the perspectives of Italian human resource managers. *The International Journal of Human Resource Management*, 35(11), 29-56.
- Longoni, A., Luzzini, D., & Guerri, M. (2018). Deploying environmental management across functions: the relationship between green human resource management and green supply chain management. *Journal of Business Ethics*, 151(1), 1081-1095.
- Macpherson, A., & Holt, R. (2007). Knowledge, learning and small firm growth: A systematic review of the evidence. *Research Policy*, 36(2), 172-192.
- Maisonneuve, F., Groulx, P., Chênevert, D., Grady, C., & Coderre-Ball, A. (2024). Effects of ethical climate in association with tenure on work addiction, quality of care and staff retention: a cross-sectional study. *BMJ Quality & Safety*, 33(1), 24-32.
- Martin, K. D., & Cullen, J. B. (2006). Continuities and extensions of ethical climate theory: A meta-analytic review. *Journal of Business Ethics*, 69(1), 175-194.
- Martin, K. D., & Cullen, J. B. (2009). Appreciating the meta-analytic methodological context: Rejoinder to a reply. *Journal of Business Ethics*, 88(1), 763-766.
- Martínez-del-Río, J., Céspedes-Lorente, J., & Carmona-Moreno, E. (2012). High-involvement work practices and environmental capabilities: How HIWPS create environmentally based sustainable competitive advantages. *Human Resource Management*, 51(6), 827-850.
- Moher, D., Liberati, A., Tetzlaff, J., Altman, D. G., Antes, G., Atkins, D., ... & Tugwell, P. (2014). Preferred reporting items for systematic reviews and meta-analyses: the PRISMA statement. *Revista Espanola de Nutricion Humana y Dietetica*, 18(3), 172-181.
- Noh, Y. G., & Lee, O. S. (2022). Ethical climate of nurses in Korea: A scoping review. *Journal of Korean Academy of Nursing Administration*, 28(5), 42-57.
- Otte, S. (2015). Implementing a dominican model of leadership. *Educational Considerations*, 43(1), 3-19.
- Pagliaro, S., Lo Presti, A., Barattucci, M., Giannella, V. A., & Barreto, M. (2018). On the effects of ethical climate (s) on employees' behavior: A social identity approach. *Frontiers in Psychology*, 11(1) 39-60.



- Paul, J., Khatri, P., & Kaur Duggal, H. (2024). Frameworks for developing impactful systematic literature reviews and theory building: What, Why and How? *Journal of Decision Systems*, 33(4), 537-550.
- Pittaway, L., Robertson, M., Munir, K., Denyer, D., & Neely, A. (2004). Networking and innovation: a systematic review of the evidence. *International Journal of Management Reviews*, 5(3), 137–168.
- Ragothaman, S., Custis, T., & Christianson, M. (2022). Fake accounts scandal at Wells Fargo: What are the lessons? *Journal of Forensic & Investigative Accounting*, 14(2), 314-324.
- Rosado-Serrano, A., Paul, J., & Dikova, D. (2018). International franchising: A literature review and research agenda. *Journal of Business Research*, 85(1), 238-257.
- Roy, A., Newman, A., Round, H., & Bhattacharya, S. (2024). Ethical culture in organizations: A review and agenda for future research. *Business Ethics Quarterly*, 34(1), 97–138.
- Saini, D., & Sengupta, S. S. (2021). Leading the Indian managers to satisfaction: The mediating role of ethical climate. *Global Business Review*, 22(2), 485–499.
- Saleem, M., Qadeer, F., Mahmood, F., Ariza-Montes, A., & Han, H. (2020). Ethical leadership and employee green behavior: A multilevel moderated mediation analysis. *Sustainability*, 12(8), 3314.
- Saleem, M., Qadeer, F., Mahmood, F., Han, H., Giorgi, G., & Ariza-Montes, A. (2021). Inculcation of green behavior in employees: A multilevel moderated mediation approach. *International Journal of Environmental Research and Public Health*, 18(1), 331.
- Barbera, K. M. (2014). *The Oxford handbook of organizational climate and culture*. Oxford University Press.
- Teresi, M., Pietroni, D. D., Barattucci, M., Giannella, V. A., & Pagliaro, S. (2019). Ethical climate (s), organizational identification, and employees' behavior. *Frontiers in psychology*, 10(1), 13-56.
- Van den Bulcke, B., Metaxa, V.(2020). Ethical climate and intention to leave among critical care clinicians: an observational study in 68 intensive care units across Europe and the United States. *Intensive care medicine*, 46(2), 46-56.
- Victor, B., & Cullen, J. B. (1988). The organizational bases of ethical work climates. *Administrative science quarterly*, 25(1), 101-125.

- Vinet, L., & Zhedanov, A. (2010). Overview of social norms approach. *Antimicrobial Agents and Chemotherapy*, 58(12), 47-62.
- Wang, H., & Yen, Y. (2023). How the organizational ethical climate accounts for employee voice behavior: a multilevel analysis. *Asia Pacific Journal of Human Resources*, 61(1), 124-145.
- Weber, J., & Opoku-Dakwa, A. (2022). Ethical work climate 2.0: A normative reformulation of Victor and Cullen's 1988 framework. *Journal of Business Ethics*, 178(3), 629-646.
- Yang, M., Luu, T. T., & Hoang, G. (2023). Can ethical climate and ethical self-efficacy channel ethical leadership into service performance? A multilevel investigation. *International Journal of Hospitality Management*, 114(1), 103-148.
- Zagenczyk, T. J., Powell, E. E., & Scott, K. L. (2020). How exhausting!? Emotion crossover in organizational social networks. *Journal of Management Studies*, 57(8), 1589-1609.