

# The relationship between organizational democracy and socio-moral climate: Exploring effects of the ethical context in organizations

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## Abstract

A great deal of attention has been devoted recently to the study of the ethical context in organizations. This article refines the concept of socio-moral climate (SCM) and its impact on organizational socialization towards ethics-related behavioural orientations. The authors expand on previous research by focusing also on specific pre-occupational socialization experiences. The empirical research was conducted in northern Italy. Employees from small and medium-sized enterprises with different levels of structurally anchored organizational democracy were surveyed with standardized questionnaire scales. The purpose of this study was to examine the relationship between structurally anchored organizational democracy, SMC and employees' attitudes pertaining to prosocial work behaviours, solidarity at work, democratic engagement orientation and organizational commitment. Controlling for pre-occupational socialization experiences, the results provide evidence for a substantial socialization potential linked to structurally anchored organizational democracy and a favourable work environment in terms of SMC.

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## Introduction

Over the last few decades, research on (un)ethical decision-making in organizations has become an important field in the domain of organizational behaviour, resulting in an impressive body of research that refers to both theoretical reflections and empirical findings (Kish-Gephart et al., 2010; Trevino et al., 2006). Whereas early approaches have primarily focused on dispositional factors (for an overview see Loe et al., 2000), other scholars began to examine contextual factors which are supposed to influence decision-making processes concerning ethical problems in organizations. Thus, in the current literature a number of related research streams contribute to a more thorough focus on ‘the relationship between “ethical context” and employee attitudes and behaviours’ (Trevino et al., 1998: 447).

Recently, Weber et al. (2008, 2009) recommended to integrate the concept of *socio-moral climate (SMC)* into the vocabulary of organizational behaviour research. The concept of SMC represents a sub-domain of organizational climate referring to ‘specific criteria of organisational structure and organisational practices, in particular specific principles of communication, teamwork, collective problem-solving, decision making as well as leadership which form a field of socialization for prosocial, democratic and moral orientations’ (Weber et al., 2008: 172).

Weber et al. (2008, 2009) developed a screening scale to assess SMC and empirically confirmed that SMC is related to the degree to which employees participate in democratic forms of organizational decision-making. As outcome variables of SMC, their studies identified employees’ increased prosocial and community-related behavioural orientations and organizational commitment. The authors conclude that these results ‘represent socialization effects that go beyond selection factors’ (Weber et al., 2009: 1143). However, their research design did not allow them to empirically separate the effects and thus, Weber et al. (2009: 1143) concede that ‘future research should explore the effects of employees’ socialization factors outside the workplace on their behavioural orientations’.

The primary purpose of this article is to expand the research frame provided by Weber et al. (2009) by (1) using an improved measurement of SMC and (2) including the analysis of important pre-occupational socialization experiences affecting employees’ ethics-related attitudes and behavioural orientations.

## Current research on ethical context in organizations

There exists a large body of literature on approaches concerning the ethical context in organizations. Most notably, Victor and Cullen (1988) introduced a typology of ethical climate which refers to employees’ shared perceptions of ethically correct behaviour. According to that approach, ‘the company’s ethical climate helps to determine (1) which issues organisation members consider to be ethically pertinent and (2) what criteria they

use to understand, weigh and resolve these issues' (Cullen et al., 1989: 51). Concretely, the authors refer to Kohlberg's (1984) theory of moral development and propose three ethical climates, based on the ethical criteria used for decision-making. Whereas the satisfaction of self-interest is the basis of the *egoistic climate*, the central value in the *benevolent climate* consists in maximizing the interests of a specific social group. Finally, the *principled climate* is based on the application of formal laws and rules. In addition to the basic climate types, a second dimension identifies the locus of analysis used for applying the criteria to ethical decisions. Whereas the *individual referent* focuses on the particular self, the *local locus of analysis* refers to the more immediate social system (e.g. the organization) in which the individuals are embedded. Finally, the *cosmopolitan referent* concerns sources of ethical decision-making external to the immediate social system (e.g. the profession). Taken together, crossing the two dimensions results in nine theoretically possible climate types, which are supposed to guide ethical decision-making in organizations.

Although the concept of ethical climate is considered one of the most useful topics in current business ethics research (see Mayer et al., 2009), the concept suffers from several limitations. First, it seems questionable to assume that the two dimensions of ethical climate (ethical criterion and locus of analysis) are entirely distinct, at least if one refers to Kohlberg's neo-Kantian ethical theory as claimed by the authors themselves (Victor and Cullen, 1988). Thus, besides several theory-consistent climate types, also somewhat inconsistent types may result from the formal necessity to combine the two dimensions. For example, the cosmopolitan level of egoistic criteria results in a climate type labelled as 'Efficiency' which is defined as 'considerations of the larger social or economic system's interest' (Victor and Cullen, 1988: 106). Although this may be in line with the fiction of common welfare through genuine selfishness as pretended by neoclassical economic theory, according to Kohlberg's (1984, 1985) understanding this combination is contradictory within itself. Finally, the individual level of principle criteria constitutes a climate of 'Personal Morality'. This type of climate is represented in companies where employees are guided by their own, self-chosen ethical principles. This is not fully in line with Kohlberg's (1984, 1985) approach of moral judgement whereby the principled level refers exclusively to individuals who develop and reconstruct universal ethical principles which go beyond purely idiosyncratic ethical preferences.

A second limitation concerns the Ethical Climate Questionnaire (ECQ), developed by Victor and Cullen (1988). Studies that used the ECQ yielded inconclusive results concerning the factor structure (Eigenstetter, 2006; Mayer et al., 2009) and thus, the debate surrounding a definitive distinction between the nine climate types has yet to reach consensus. However, given the lack of a psychometrically sound measure, it is difficult to evaluate the validity of existing research about ethical climate types. Finally, the approach of Victor and Cullen (1988) is primarily descriptive and fails to give managers or employees an answer to the crucial, practice-oriented question of which type of ethical climate is morally desirable. This lack of prescription in the theoretical foundation detracts from the normative applicability of the ethical climate construct.

In contrast, the concept of ethical culture (Kaptein, 2008; Trevino et al., 1998) considerably contributes to our knowledge of the role of an organization's normative structure in order to encourage employees to act accordingly. Thus, ethical culture is

defined 'as a subset of organisational culture, representing a multidimensional interplay among various "formal" and "informal" systems of behavioural control that are capable of promoting either ethical or unethical behaviour' (Trevino et al., 1998: 451). Whereas formal components of ethical culture encompass more visible aspects (e.g. leadership, reward systems, codes, policies), informal components refer to implicit norms, basic values and organizational myths and rituals, which are often taken for granted and not explicitly reflected. The more both systems are aligned in supporting ethical conduct, the more individual behaviour is expected to be ethically correct.

Finally, the concept of organizational justice has been consistently linked to ethics-related outcomes. There is consensus in the scientific literature that a relatively broad fairness heuristic influences people's general relationship with their organizations (Van den Bos et al., 2001). According to this approach, to the extent that employees perceive just treatment, they are expected to have more trust in conforming organizational expectations in a general sense. On this basis, Trevino and Weaver (2001) showed that this applies also for ethical standards and that people's perceptions of fairness in the workplace have an important influence on employees' ethical attitudes and behaviours.

Taken together, all these concepts offer a framework for analysing and understanding conditions for ethics-related behavioural outcomes at work. However, none of them is explicitly referring to the ethics-related socialization potential of the organizational settings in a broader sense.

Studies in the field of socialization research revealed spillover effects from work to employees' personal ethical attitudes and orientations (Lempert, 1994). As a consequence of this, Weber et al. (2008, 2009) started to investigate the concept of SMC, which is supposed to constitute a substantial socialization potential for the development and consolidation of employees' ethical attitudes and value orientations. This conceptual proposition differs from the above described approaches in the following aspects:

1. Potential outcome factors related to the SMC approach primarily focus on employees' ethical development potential and societal gain instead of outcomes primarily relevant to the management and private shareholders of the organization.
2. Previous operationalizations of ethics-related contextual factors often fail to specify the underlying ethical principles which may guide employees' ethical decision-making. Whereas related scales often contain items concerning ethical behaviour in a highly abstract sense (e.g. Brown et al., 2005; Folger and Konowsky, 1989), the SMC framework explicitly refers to discourse ethics and communicative reason (Habermas, 1990; Kohlberg, 1985).
3. The prime emphasis of many other ethics-related research lines in the field of organizational behaviour (e.g. organizational justice) is clearly on the leader-subordinate dyad. In contrast, based on Kohlberg's (1985), Habermas's (1990) and Oser's (1986) concept of principled moral discourse, the SMC approach stresses the constructive participation of all organizational members in the creation and implementation of organizational values, norms and rules.

## Definitional framework

In this section, the definitional framework of our study as well as the development of related hypotheses are delineated in detail. Figure 1 summarizes the hypotheses to be tested.

### Socio-moral climate (SCM)

The construct of SMC is based on Schneider's (1975) claim that organizational climate should be strategically focused and thus apply to a specific referent (such as for instance safety, service, creativity, innovation, etc.). The climate concept clearly refers to the organizational context. It is regarded as employees' molar reception of organizational practices and procedures and as such, it goes beyond the purely idiosyncratic interpretation of environmental information.

With regard to contents, the concept of SMC is based on approaches which have successfully investigated the conditions for socio-moral development – in particular, Kohlberg's theory of moral education. Based on the findings from longitudinal studies in the 1950s, Kohlberg established a model of moral development which gave direction to the subsequent moral psychology community for many decades. Drawing on studies in educational settings, Kohlberg and his associates started to increase their attention to the role of social environments in facilitating the development of socio-moral reasoning (Power et al., 1989). In this research, open discussion focusing on fairness and morality, cognitive conflict stimulation by exposure to different points of view and participation in rule-making and rule enforcement were identified to be crucial in constituting the so-called 'moral atmosphere' of an institution (Higgins, 1995).

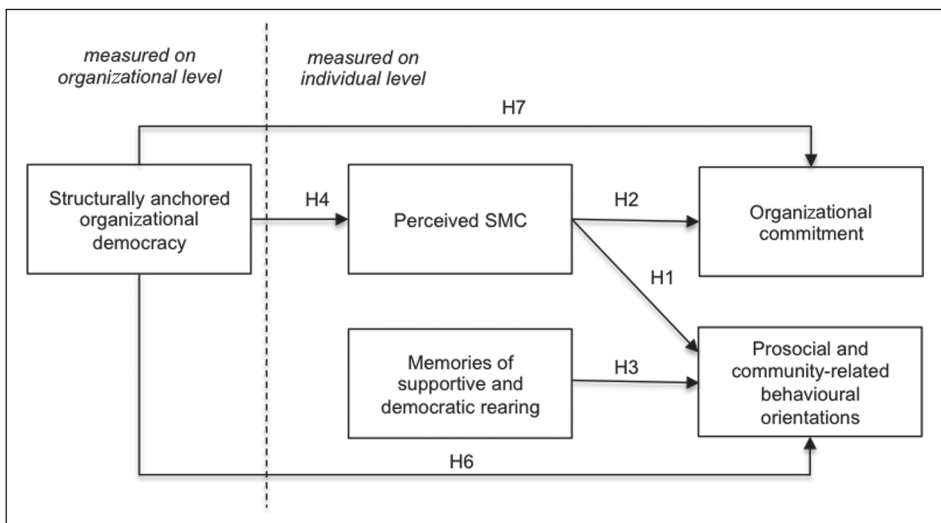


Figure 1. Hypotheses.

Besides Kohlberg's approach, the theoretical foundation of the SMC concept is based also on Lempert's (1994) research about occupational experiences and moral socialization. By following Kohlberg's model of moral atmosphere and extensive reviews of relevant literature, Lempert (1994: 452) identified a set of 'sociobiographical conditions' that are supposed to promote moral development.

In summary, both traditions focus on moral reflexivity among individuals and group members and, based on Habermas's (1990) discourse ethics, on the integration of moral issues into organizational communication and collaboration. By following the approaches of Kohlberg (1984) and Lempert (1994), Weber et al. (2008) postulated the following five components that constitute a SMC:

1. *Open confrontation of the employees with conflicts*: This component of SMC encompasses the extent to which members of a particular organization are involved in constructive conflict and confrontation. This is characterized by not only openly facing conflicts and disagreements, but also facing up to them respectfully and honestly.
2. *Reliable and constant appreciation, care and support by supervisors and colleagues*: This factor refers to the degree of mutual respect, empathy and genuine care for the members of an organization
3. *Open communication and participative cooperation*: Open communication and participative cooperation are practically interwoven and form the third component of SMC. Open and free communication refers to the extent in which employees are encouraged to question and form independent judgements about organizational norms, rules and principles. Furthermore, this SMC component regards the degree to which members of an organization are actively involved in participative decision-making processes on such norms, rules and principles.
4. *Trust-based assignment and allocation of responsibility corresponding to the respective employees' capabilities*: According to Lempert's (1994: 454) approach, the ascription of responsibility implicates the granting of 'adequate confidence and accountability (instead of either distrustful strict control or uncontrolled laissez-faire)'.
5. *Organizational concern for the individual*: This component refers to the willingness of representatives (e.g. supervisors) of a particular organization to 'put themselves in the shoes' of individual members within an organization and to act accordingly. Thus, the main focus is on mutual perspective which includes serious concern for the legitimate needs of all organizational members. Since this component was conceptualized and integrated into the SMC framework at a later point, it was not included in the screening instrument used by Weber et al. (2008, 2009). The improved SMC measure used in the present study overcomes this limitation.

### *Prosocial and community-related behavioural orientations*

In the present framework, this concept encompasses the following components: prosocial work behaviour, solidarity at work and democratic engagement orientation.

Work-related prosocial behaviour has been widely studied within organizational citizenship behaviour (OCB) literature and traditionally it refers to altruism, courtesy,

interpersonal helping behaviour and related behavioural tendencies (Konovsky and Organ, 1996).

Solidarity at work goes beyond the mere application of reciprocity theory and refers to genuine collective contributions to the common good. Thus, the more workers are characterized by solidarity, the more they consider their own behaviours as a part of collective action, and the more likely they are to chose collaborative strategies over the prosecution of short-term, selfish interests.

The last component refers to democratic engagement orientation and as such, it entails the willingness to engage oneself with democratic concerns in the society (Brady et al., 1995).

According to Weber et al. (2009), these three components refer to the readiness of organization members to execute supportive actions directed towards others within one's society, with the intention of promoting the welfare of those others. Thus, by integrating prior research combining citizenship concepts of political philosophy and organizational behaviour (e.g. Van Dyne et al., 1994), we argue that a common latent factor underlies the aforementioned indicators of prosocial and community-related orientations. This was demonstrated empirically by Weber et al. (2009).

Kohlberg's work on moral education provides evidence that organizational environments can stimulate socio-moral development when they encourage participation in decision-making processes and create opportunities of complex perspective taking and the acceptance of responsibility (Power et al., 1989). A further important route to socio-moral development concerns the degree to which individuals perceive a climate of reliable appreciation, support and free communication (Lempert, 1994). Since these aspects are partly reflected in the concepts of procedural and interpersonal justice, we adopt the well-established link between procedural and interpersonal justice and organizational citizenship behaviour (Fassina et al., 2008; Moorman and Byrne, 2005) for the purposes of hypothesis development. Thus, the following is proposed:

*Hypothesis 1: Employees' perceptions of SMC are positively related to their level of prosocial and community-related behavioural orientations.*

### **Organizational commitment**

Organizational commitment can be defined as a multidimensional construct referring to the psychological attachment of an employee to a particular organization. In this study, we follow Allen and Meyer (1990) and define *affective commitment* as employees' emotional attachment to the organization, whereas *normative commitment* refers to the perceived obligation to remain in an organization.

Beside the fact that organizational commitment has been demonstrated to have a substantial impact on organizational effectiveness (Meyer et al., 2002), we argue that organizational commitment is also of ethical relevance. For instance, Kanungo (1992: 414) describes commitment as the 'opposite of work alienation'. Thus, organizational commitment can be considered a component of individually felt responsibility towards one's organization and a form of appreciation returned by the employees. In turn, committed employees tend to support corporate objectives to a greater extent and to stay loyal with the company even in hardships.



In this study, SMC is held to influence organizational commitment. Given the strong empirical foundation linking organizational justice perceptions to affective and normative commitment (Cohen-Charash and Spector, 2001; Colquitt et al., 2001), the partial conceptual overlap between procedural and interpersonal justice and SMC (Pircher Verdorfer et al., 2008) provides a basis for this proposition. Further, a study by Schmid (2009) indicates a combined positive influence of procedural justice and SMC on both forms of employees' commitment in democratic enterprises. Additionally, recent research on ethical climate has supported the important role of supportive and benevolent interactional patterns in the relationship between work environments and organizational commitment (Cullen et al., 2003). Hence, we hypothesize:

*Hypothesis 2:* Employees' perceptions of SMC are positively related to their organizational commitment.

### *Pre-occupational sources of socio-moral socialization*

As already mentioned, Weber et al. (2008, 2009) did not include socialization factors outside the organizational context in their research. It is that gap that the approach presented in this article tries to fill.

Based on considerable research, in particular the family context is recognized as an important, though not exclusive, socialization antecedent factor of prosocial orientations and competencies (Eisenberg and Mussen, 1989). Especially the investigation of parental rearing practices occupies an important position in current research. Numerous studies have shown that warm, supportive and affectionate rearing experiences promote the socio-moral development in children (for a research review see Berkowitz and Grych, 1998). Furthermore, democratic family decision-making has also been linked to socio-moral development (Dekovic and Janssens, 1992). From this point of view, egalitarian relationships stimulate socio-moral development because they provide opportunities for social perspective taking and discursive exchanges (Oser, 1986). Taken together, we propose:

*Hypothesis 3:* Employees' memories of supportive and democratic parenting are positively related to their level of prosocial and community-related behavioural orientations.

### *Structurally anchored organizational democracy*

Concepts of democratic organizational practices have been quite prominent in organizational behaviour literature since the 1970s (see Heller et al., 1998). While several studies in this field are characterized by some vagueness concerning the precise meaning of democratic organizational practices (cf. different notions of 'workplace democracy' or 'employees' participation'), more recent approaches stress the importance of conceptual clarity (Poutsma et al., 2003; Wegge et al., 2010). In the present study, we explicitly refer to structurally anchored organizational democracy, which is described fully in Weber et al. (2008) as well as in Wegge et al. (2010). Whereas the term organizational participation can be seen as an umbrella term referring to a wide range of employee participation in different organizational settings, structurally anchored organizational democracy is



defined as 'broad-based and institutionalised employee influence processes that are not ad hoc or occasional in nature' (Wegge et al., 2010: 162). Thus, employees in organizations with structurally anchored organizational democracy have the institutionalized possibility to participate in decision-making processes referring to tactical or strategic decisions at the organizational level. Of course, there exist different levels of structurally anchored organizational democracy including workers' cooperatives (medium level) or basis-democratic, self-governed enterprises (high level).

Studies in the tradition of Kohlberg's just community approach have shown that the level of structurally anchored democracy represents an important antecedent factor of SMC (for the context of schools see Power et al., 1989). This assumption is indirectly supported by the findings of the Industrial Democracy in Europe (IDE) research group (Heller et al., 1998; IDE, 1981) which have demonstrated that actual (de facto) participation experienced by the individual employee is fundamentally affected by formal rules for participation (de jure). Thus we propose:

*Hypothesis 4:* Employees from enterprises with structurally anchored organizational democracy report a higher level of SMC than employees from conventional firms.

At this point, the relation between structurally anchored organizational democracy and SMC needs special attention. As stated above, employees from democratically structured enterprises are expected to perceive significantly higher degrees of SMC. In turn, SMC is held to be positively related to employees' prosocial and community-related behavioural orientations. Thus, it can be argued that SMC operates as an intervening variable between structurally anchored organizational democracy and the relevant outcome variables. On this basis it seems reasonable to assume that the socialization effect related to SMC is stronger in democratically structured firms. This leads us to suggest the following hypothesis:

*Hypothesis 5:* The relation between SMC and employees' level of prosocial and community-related behavioural orientations is stronger in enterprises with structurally anchored organizational democracy than in conventional firms.

Democratic structures and procedures require complex perspective taking and awareness of the needs of organizational members and the organization as a whole. Enterprises in which forums for direct democratic participation exist, where many employees can interact on matters that concern their workaday life or future, develop proposals, discuss problems and prepare decisions, which demand or motivate a high awareness of social problems, provoke their employees to gain insights in complex economic processes and to take a broader and long-term perspective when deciding. As such, it seems reasonable to assume that fostering employees' ability to articulate and resolve conflicting interests and demands should positively influence their prosocial and community-related behavioural orientations. Hence we propose:

*Hypothesis 6:* Employees from enterprises with structurally anchored organizational democracy show a higher degree of prosocial and community-related behavioural orientations than employees from conventional organizations.

Finally, current research on employee-owned firms or employees' participation in capital shares indicates a positive relationship between employee voice and organizational commitment (for a review see Freeman, 2007). In line with these findings, Weber et al. (2008) showed that the level of structurally anchored organizational democracy is an important antecedent factor of organizational commitment. In order to reconfirm these findings we propose:

*Hypothesis 7:* Employees from enterprises with structurally anchored organizational democracy show a higher level of organizational commitment than employees from conventional organizations.

## Methods

### Sample and procedures

The participants of this study were employees from 10 small and medium-sized enterprises in South Tyrol-Alto Adige, a bilingual province located in the northeastern part of Italy with two official languages (German and Italian). The region has a rich tradition of cooperative movement and, in fact, this kind of democratic organization has proven a tool for successful economic development. This is also supported by several reports provided by the European Commission (Commission of the European Communities, 2001) and the European CRANET survey (Pendleton et al., 2001).

On the organizational level, five democratically structured cooperatives and five conventionally structured companies participated in the study (see Table 1). The size of the companies ranged from 12 to 155 employees. The sample does not overlap with the sample of a previous study that also had included some South Tyrolean cooperatives

**Table 1.** Sample characteristics.

Conventional enterprises				
	Sector	Size	Participants	%
1	Industrial production, trade and handcraft	120	87	72.5
2	Service sector	155	81	52.2
3	Service sector	37	25	67.6
4	Service sector	12	10	83.3
5	Service sector	27	27	100
Democratic enterprises				
	Sector	Size	Participants	%
1	Industrial production, trade and handcraft	60	37	61.7
2	Industrial production, trade and handcraft	12	11	91.7
3	Service sector	10	10	100
4	Service sector	31	31	100
5	Service sector	25	15	60.0

(Weber et al., 2008, 2009). The investigations in the cooperatives were conducted in cooperation with the South Tyrolean Association of Cooperatives (*Legacoopbund*), a regional non-profit organization that represents the interests of employee-owned cooperatives in South Tyrol.

On the individual level, 489 questionnaires were distributed. In order to prevent common method variance, we focused on the separate measurement of the predictor and criterion variables, following a procedure proposed by Podsakoff et al. (2003). To this purpose, each participant had to complete two separate and differently formatted questionnaires, two days apart. Of course, due to the bilingual situation in the region, all relevant research materials were provided in German and Italian.

Out of the 489 questionnaires distributed, 334 were returned, resulting in a response rate of 68.3%. Participants with more than 30% of missing values were excluded from analysis. To prevent systematic biases caused by not completely random missing data processes, we used multiple imputation by the expectation-maximization (EM) algorithm to fill in missing values. The imputation procedure was performed with the software NORM (Schafer, 1999) leaving 285 employees for analysis. The majority of the participants (68%) worked in hierarchically structured firms. Just over half (53%) were male. In terms of age, 19% were younger than 30. The majority of the respondents (51%) were between 30 and 45 and 30% were over 45 years old. Twenty-one percent held a university degree, 33% a high school diploma, 46% of the participants had finished primary or other schooling without a high school degree. On average, participants had been employed in their company for 10.7 years.

A systematic comparison of the two subsamples revealed no significant differences between conventionally and democratically structured firms in terms of employees' gender, educational level and tenure. Only age differs between the two groups,  $t = 5.038(283)$ ,  $p < .001$ , with higher values in democratically ( $M = 43.9$ ) than in conventionally structured ( $M = 37.9$ ) firms.

## Measures

*Socio-moral climate (SMC)*. Weber et al. (2008) used a screening instrument (questionnaire) for the assessment of SMC. Building on this preliminary work we carried out a major revision and enlargement of the SMC questionnaire. The results of a first validation study are reported by Pircher Verdorfer et al. (2008). In the form in which it was used in the present study, the revised SMC questionnaire consisted of 42 items assessing the five core components of SMC.

Since SMC is derived from organizational climate research, the items in the SMC questionnaire are formulated with a clear focus on the organizational unit of analysis. Furthermore, respondents are placed in the role of observers reporting on, not evaluating, the perceived SMC. The SMC items were administered on a five-point scale with responses ranging from 1 (strongly disagree) to 5 (strongly agree). Sample items from each of the SMC components are as follows:

- *Open confrontation with conflicts (9 items)*: 'In our organization we deal openly with conflicts and disagreements'.

- *Reliable and constant appreciation (7 items)*: ‘Our employees are treated with respect regardless of their qualifications or position’.
- *Open communication and participative cooperation (11 items)*: ‘In our organization, everyone has a voice on important organizational matters’.
- *Assignment of responsibility (8 items)*: ‘In our organization, everyone is challenged according to his/her skill set’.
- *Organizational concern (7 items)*: ‘Although difficult, our organization attempts to meet the needs of all its members’.

*Prosocial and community-related behavioural orientations.* In this study, this latent construct was tapped by three manifest indicators which are presented in the following:

- *Prosocial work behaviours*: To measure the level of prosocial work behaviours, we used 10 items taken from the subscales *altruism* and *courtesy* of the German OCB questionnaire validated by Staufenbiel and Hartz (2000). A sample item is: ‘I willingly help others who have work-related problems’.
- *Solidarity at work*: This component was measured using 11 items taken from a scale composed by Flodell (1989) and two additional items generated by the authors themselves. Finally, since three items from this scale were omitted due to problems identified during the surveying process, 10 items represent the valid version of the measure (e.g. ‘If co-workers are treated unfairly or discriminated against by a supervisor, the colleagues should strive together and find out what one might be able to do about it’).
- *Democratic engagement orientation*: For the assessment of this component, an adapted version of Bibouche and Held’s (2002) democratic engagement orientation scale was applied. This scale contains items such as ‘Everyone should give some of his/her free time in order to promote the good of the community’.

The employees responded to all of these questions using a five-point Likert-type scale ranging from 1 (strongly disagree) to 5 (strongly agree).

*Commitment.* To measure affective and normative commitment, we used the subscales from Allen and Meyer’s (1990) multidimensional concept, which were adapted for use in German samples by Felfe et al. (2004). Sample items are ‘I really feel as if this organization’s problems are my own’ (affective commitment) and ‘One of the major reasons I continue to work for this organization is that I believe that loyalty is important and therefore feel a sense of moral obligation to remain’ (normative commitment). The commitment items were administered on a five-point scale with responses ranging from 1 (strongly disagree) to 5 (strongly agree).

*Memories of supportive and democratic parenting.* To assess retrospective perceptions of parenting, two subscales taken from the questionnaire of recalled parental rearing behaviour (QRPRB) by Schumacher et al. (1999) were used. The QRPRB allows the assessment of retrospective perceptions of both maternal and paternal behaviour separately on a four-point Likert scale (1 = No, never; 4 = Yes, nearly always) indicating the degree to

which statements describe parental behaviour. The *emotional warmth* subscale encompasses eight items that deal with perceived parental warmth in interactions with their children (e.g. 'If things went badly for you, your parents tried to comfort and encourage you'). The *rejection and punishment* subscale as negative indicator refers to autocratic parenting practices and contains items such as 'Have you been punished by your parents without having done anything?' Since one item from the rejection subscale had to be eliminated because of insufficient psychometric properties, seven items were used for the analysis.

In order to capture a third important component of family socialization, we assessed retrospective perceptions of democratic parental rearing practices. Since this aspect is not covered by the QRPRB, for the purposes of this study we adapted three reversed items from Lederer's (1983) authoritarian family structure scale (e.g. 'The ideas of all the family members including teenage children were taken into consideration when an important decision was to be made in your family'). We added one new item to this scale to measure further aspects of democratic education.

*Structurally anchored organizational democracy.* Data on democratic structure refer to the organizational level and were gathered via document analyses and structured interviews with the founders or CEOs by using the empirically proven typology of Weber et al. (2008). Based on our research cooperation with the South Tyrolean Association of Cooperatives, only cooperatives participated in the study beside conventional enterprises. Considering several different types of democratic enterprises, this procedure implies that the present study did not focus on the full range of democratic structures. Thus, the main purpose of the qualitative assessment of structurally anchored organizational democracy was to verify the distinction between cooperatives (collectively owned and democratically managed) and conventional organizations (traditionally owned and hierarchically managed).

## Data analysis

*Measure assessment.* Scale reliabilities in terms of Cronbach's alpha ranged from .70 to .93 (Table 3). In order to assess reliability on the construct level, we conducted confirmatory factor analysis (CFA) using AMOS 17.0. Composite reliability ranged from .80 to .95 indicating a high internal reliability. In addition, CFA on the item level was conducted to provide evidence for an adequate operationalization of the variables used in this study. As shown in Table 2, the obtained model fit of all constructs is acceptable.

In order to assess discriminant validity we applied the Fornell and Larcker (1981) technique. The results demonstrate that each construct's average variance extracted exceeds the shared variance with the other constructs. While the values of the average variance extracted range from .49 to .79, the squared correlations with the other constructs range from .001 to .038, thus indicating satisfactory convergent and discriminant validity of the constructs.

*Hypotheses testing.* In order to test our main hypotheses concerning the effects of SMC, we conducted structural equation modelling (SEM) analyses using AMOS 17.0 with

**Table 2.** Confirmatory factor analysis of measures.

Latent variable	Number of indicator scales	Number of items	$\chi^2$	d.f.	TLI	CFI	RMSEA
Socio-moral climate	5	42	1906.847	802	.910	.916	.051
Prosocial and community-related behavioural orientations	3	30	754.622	391	.823	.841	.057
Organizational commitment	2	12	130.914	53	.917	.933	.073
Memories of supportive and democratic rearing	6	38	1311.298	631	.921	.929	.062

Notes:  $N = 285$ ; TLI = Tucker–Lewis index; CFI = comparative fit index; RMSEA = root square error of approximation.

maximum-likelihood estimation. All related hypotheses were tested on the individual level. As mentioned above, a strict theoretical interpretation would regard SMC as an organizational-level construct and consequentially, the level of observation should be the organization (Glick, 1985). The aggregation of individual scores by using the mean to represent climate at the organizational level has become a frequently used procedure. However, in this study, due to the small sample size at the organizational level, we focused on perceived SMC and tested the related hypotheses on the individual level. Yet to test whether the respondents across the 10 companies agreed on their perceptions of SMC, the  $r_{wg}$  score as an indicator of interrater agreement was calculated (James et al., 1993). To test the hypothesized differences between democratically and conventionally structured enterprises we tested for multigroup invariance by using AMOS 17.0. Furthermore we carried out a comparison of means by using Welch's  $t$ -test for independent samples and estimated Cohen's  $d$  as an index of effect size.

## Results

Table 3 shows the means, standard deviations and intercorrelations among the measures. Results from the tested SEM model are presented in Figure 2.

Perceived agreement of SMC within each organization in terms of  $r_{wg}$  ranged from .80 to .95. These values represent acceptable interrater agreement estimates in this type of research (Le Breton and Senter, 2008). Since in our approach SMC represents employees' perceptions of relatively objective organizational characteristics, high interrater agreement provides evidence that organizational members are exposed to the same objective context factors.

The hypothesized model ( $N = 285$ ) fits the empirical data with a  $\chi^2$ -value of 208.419 ( $p < .001$ ) with d.f. = 93. The following goodness-of-fit criteria were obtained: TLI = .956, CFI = .966 and RMSEA = .066.

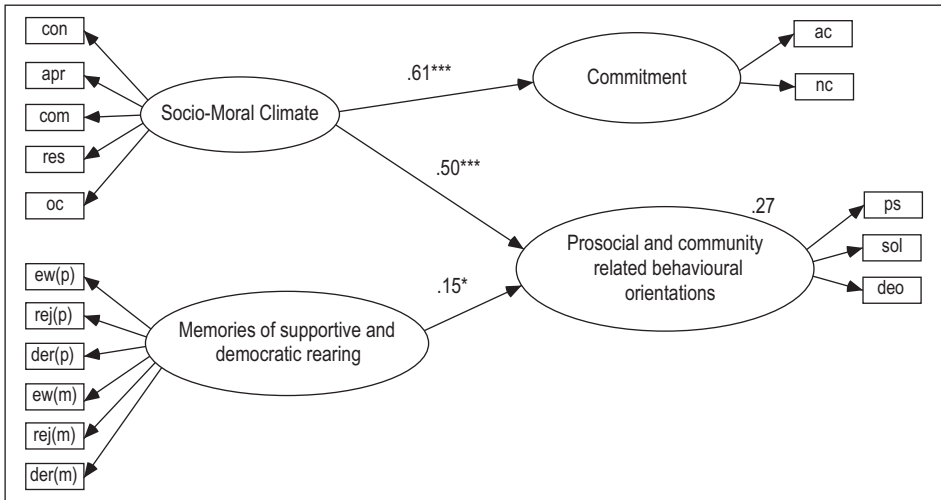
The results show that employees' perceptions of a higher SMC are positively associated to a medium-sized extent with indicators of prosocial and community-related behavioural orientations ( $\beta_{std.} = .50$ ;  $p < .001$ ) as well as organizational commitment ( $\beta_{std.} = .61$ ;  $p < .001$ ) and thus, corroborating Hypotheses 1 and 2. Memories of supportive parental

**Table 3.** Correlations and descriptive statistics.

	1	2	3	4	5	6	7	8	9	10	11	M	SD
1. SMCindex	(.97)											3.40	.78
2. ps	.38 <sup>***</sup>	(.81)										4.03	.53
3. sol	.40 <sup>***</sup>	.65 <sup>***</sup>	(.75)									3.99	.51
4. deo	.32 <sup>***</sup>	.52 <sup>***</sup>	.57 <sup>***</sup>	(.76)								3.71	.59
5. ac	.56 <sup>***</sup>	.34 <sup>***</sup>	.24 <sup>***</sup>	.14 <sup>*</sup>	(.81)							3.57	.81
6. nc	.41 <sup>***</sup>	.05	-.03	.02	.65 <sup>***</sup>	(.75)						2.74	.81
7. rej(m)	-.03	-.03	-.15 <sup>*</sup>	-.06	-.09	.04	(.84)					1.32	.38
8. rej(p)	-.07	.00	-.14 <sup>*</sup>	-.09	-.08	.01	.66 <sup>***</sup>	(.87)				1.33	.44
9. ew(m)	.06	.15 <sup>*</sup>	.18 <sup>**</sup>	.06	.10	.13 <sup>*</sup>	-.27 <sup>***</sup>	-.23 <sup>***</sup>	(.87)			2.74	.63
10. ew(p)	.11	.14 <sup>*</sup>	.23 <sup>***</sup>	.13 <sup>*</sup>	.13 <sup>*</sup>	.14 <sup>*</sup>	-.23 <sup>***</sup>	-.35 <sup>***</sup>	.77 <sup>***</sup>	(.89)		2.55	.68
11. der(m)	-.01	.01	.15 <sup>*</sup>	.05	.07	.01	-.26 <sup>***</sup>	-.24 <sup>***</sup>	.65 <sup>***</sup>	.59 <sup>***</sup>	(.70)	2.30	.62
12. der(p)	-.01	.03	.18 <sup>**</sup>	.06	.09	.11	-.24 <sup>***</sup>	-.29 <sup>***</sup>	.59 <sup>***</sup>	.69 <sup>***</sup>	.89 <sup>***</sup>	2.21	.67

Notes: N = 285; Cronbach's alphas for multiple-item measures appear in parentheses along the diagonal; SMC = Socio-moral climate; ps = Prosocial behaviour; sol = Solidarity at work; deo = Democratic engagement orientations; ac = Affective commitment; nc = Normative commitment; ew = Emotional warmth (m = maternal; p = paternal); rej = Rejection and punishment (m = maternal; p = paternal); der = Democratic rearing (m = maternal; p = paternal). \*p < .05; \*\*p < .01; \*\*\*p < .001.





**Figure 2.** Test of the hypothesized model.

Notes:  $N = 285$ ; con = Open confrontation of the workers with conflicts; apr = Reliable appreciation; com = Open communication and participative cooperation; res = Allocation of responsibility; oc = Organizational concern; deo = Democratic engagement orientation; ps = Work-related prosocial behaviour; sol = Solidarity at work; ew = Emotional warmth (m = maternal; p = paternal); rej = Rejection and punishment (m = maternal; p = paternal); der = Democratic rearing (m = maternal; p = paternal). \* $p < .05$ ; \*\* $p < .01$ ; \*\*\* $p < .001$ .

rearing are weakly related to indicators of prosocial and community-related behavioural orientations ( $\beta_{\text{std.}} = .15$ ;  $p < .05$ ) which lends only limited support to Hypothesis 3.

Furthermore, the comparison of means demonstrated that participants from cooperatives are characterized by significantly higher scores on perceived SMC and its components than participants from conventional firms (see Table 4). The corresponding effect size is large, thus confirming Hypothesis 4.

In accordance with Hypothesis 5, a separate analysis of the data collected from democratically and conventionally structured firms (see Figure 3) strongly suggests that the effect of SMC on employees' prosocial and community-related behavioural orientations is stronger in democratically structured firms ( $\beta_{\text{std.}} = .78$ ;  $p < .001$ ,  $N = 92$ ). In turn, employees' memories of supportive and democratic parenting seem to be of less significance ( $\beta_{\text{std.}} = .04$ ; NS) in democratic firms. In contrast, in hierarchically structured firms a reversed tendency was revealed. Whereas in both groups the effect of SMC on organizational commitment remains constant, results show that in the sample from conventional firms variance in employees' prosocial and community-related behavioural orientations is explained to a higher degree by their memories of supportive and democratic parenting ( $\beta_{\text{std.}} = .23$ ;  $p < .05$ ,  $N = 193$ ). Consequently, the effect of SMC is smaller ( $\beta_{\text{std.}} = .31$ ;  $p < .001$ ,  $N = 193$ ). At this point, it must be noted that a comparison of means did not reveal any significant difference between the two sample groups in their memories of parental rearing.

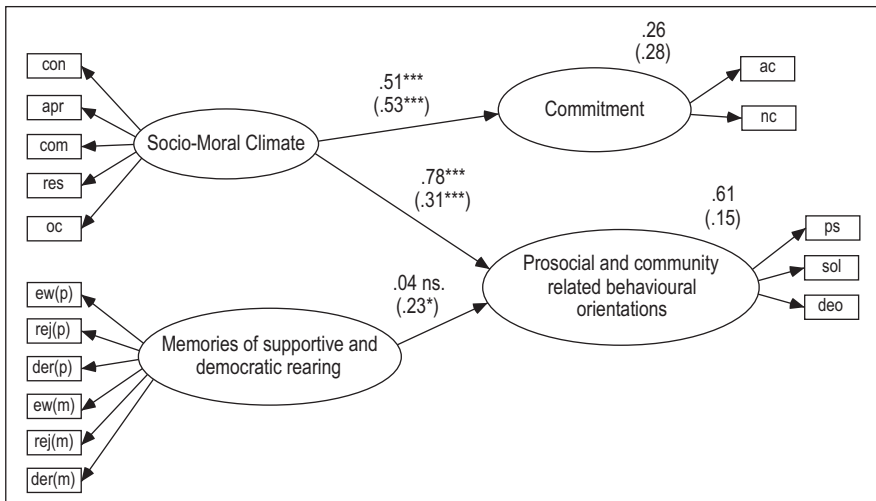
Subsequently, multigroup analysis led to a baseline model with a good fit ( $\chi^2 = 522.639$ ; d.f. = 279;  $p < .001$ ; CFI = .963, TLI = .952, RMSEA = .039). However,

**Table 4.** Mean scores, standard deviations and effect sizes for group differences between democratically and conventionally structured enterprises.

Variable	Democratic (N = 93)		Conventional (N = 192)		t	p	95% CI		Cohen's d
	M	SD	M	SD			LL	UL	
SMCindex	3.94	0.70	3.15	0.67	8.91	.000	0.61	0.96	1.15
ps	4.11	0.55	3.99	0.51	1.79	.067	-0.01	0.26	0.23
sol	4.08	0.58	3.95	0.47	1.96	.052	-0.00	0.27	0.26
deo	3.86	0.60	3.64	0.57	3.00	.003	0.07	0.37	0.38
ac	3.90	0.73	3.42	0.79	5.01	.000	0.09	0.29	0.61
nc	3.11	0.72	2.56	0.79	5.80	.000	0.36	0.73	0.71

Notes: SMC = Socio-moral climate; ps = Prosocial behaviour; sol = Solidarity at work; deo = Democratic engagement orientation; ac = Affective commitment; nc = Normative commitment.

although the traditional  $\chi^2$  difference approach suggests that the measurement weights are not fully equivalent across the two sample groups ( $\Delta\chi^2 = 22.043$ ;  $\Delta d.f. = 24$ ), the more practical approach of CFI differences (Byrne, 2010) reveals no significant differences in values ( $\Delta CFI < .001$ ). Thus, we assume metric invariance between the two



**Figure 3.** Test of the hypothesized model: comparison of conventionally and democratically structured firms.

Notes: Figure 3 shows path coefficients separately for democratically (N = 93) and conventionally (N = 192) structured firms. Coefficients for conventionally structured firms appear in parentheses. con = Open confrontation of the workers with conflicts; apr = Reliable appreciation; com = Open communication and participative cooperation; res = Allocation of responsibility; oc = Organizational concern; deo = Democratic engagement orientation; ps = Work-related prosocial behaviour; sol = Solidarity at work; ew = Emotional warmth (m = maternal; p = paternal); rej = Rejection and punishment (m = maternal; p = paternal); der = Democratic rearing (m = maternal; p = paternal). \*p < .05; \*\*p < .01; \*\*\*p < .001.

groups. In contrast, the structural paths clearly differ between the samples ( $\Delta\chi^2 = 121.741$ ;  $\Delta d.f. = 56$ ;  $\Delta CFI = .01$ ), hence indicating that the causal structure is not equivalent and thus, confirming Hypothesis 5.

Table 4 presents the mean differences between democratic and conventional structured enterprises considering employees' prosocial and community-related orientations. As hypothesized, there are significant differences between the two groups of organizations.

Members of cooperatives report only marginally higher scores in solidarity at work and work-related prosocial behaviour than those of conventional organizations, whereas the difference concerning democratic engagement orientation between both groups is somewhat stronger. Taken together, these findings provide only limited support for Hypothesis 6.

Finally, affective and normative commitment differ significantly between the two groups with higher mean scores in democratic organizations and a medium-sized effect. Therefore, Hypothesis 7 is supported.

## Discussion

As expected, results concerning the central premise of the study suggest that SMC tends to have a positive impact on work-related prosocial behavioural orientations and democratic engagement orientation, whereas a democratic organizational structure seems to have a strong influence upon SMC. In addition, the findings show that when employees perceive higher levels of SMC, they develop more of an attachment in the sense of affective and normative commitment to the organization. This is consistent with a study by Martins et al. (2008) indicating that organizational cultures of participation compared to leader- or institution-promoted cultures foster employees' affective commitment to a higher extent. Taken together, based on a more sophisticated measure of SMC, our findings support the results reported by Weber et al. (2008, 2009).

A further important finding is based on the separate analysis of the data from democratically and conventionally structured firms. As expected, results show that although SMC generally promotes employees' prosocial and community-related behavioural orientations, this effect is much stronger in democratically structured firms, hence indicating a considerably stronger socialization potential of such organizations concerning these attitudes. On the basis of these findings, it seems reasonable to conclude that the level of prosocial and community-related behavioural orientations is influenced by the most proximate socialization experiences. Whereas in democratically structured firms these experiences are mostly generated by a favourable work environment in terms of SMC, in hierarchically structured firms employees refer to pre-occupational socialization to a much higher degree. Additional support for this conclusion is provided by the fact that in our sample employees from democratically structured and conventionally structured firms differ only to a relatively low degree in their level of prosocial and community-related behavioural orientations. This means that a genuine selection effect, implying that prosocial persons join democratic enterprises and that neither organizational democracy nor SMC has any influence on their orientations, is unlikely to have caused the obtained relation. However, given the cross-sectional design of the presented

research, these results indicate considerable support, but of course not genuine proof for the postulated socialization effect. Nonetheless, plausibility for the assumption that structurally anchored democracy as well as SMC represent socialization effects (besides self-selection and external selection effects) comes from existing longitudinal studies on occupational socialization. For instance, a 10-year German longitudinal study by Hoff et al. (1991; see Lempert, 1994) conducted in three conventional enterprises using qualitative methodology indicates that the components of SMC have a beneficial causal effect on the moral judgement competency of younger employees during their development from apprenticeship to skilled labour. Furthermore, a longitudinal study by Schooler et al. (2004) revealed reciprocal effects between characteristics of occupational self-direction (including complex work tasks requiring challenging decision-making processes from the employees) on the one hand, and intellectual functioning and self-directed orientations (including specific features of personally responsible morality) on the other hand. Finally, Von Rosenstiel and Nerdinger (2000) have empirically demonstrated that the development of occupational value orientations (including 'alternative engagement orientation', which is similar to democratic engagement orientation) of German employees was influenced by an interrelation between self-selection, external selection and socialization in the job during the year of the transition from academic education to professional work.

Furthermore, the moderate difference between democratically and hierarchically structured enterprises in terms of employees' age is not expected to bias the overall results. Many studies have revealed that socio-moral (further) development is better predicted by socialization factors (e.g. education) than by chronological age (Rest, 1994), at least in the period of adulthood.

Finally, while we found a positive effect of SMC on prosocial and community-related behavioural orientations, a corresponding effect deriving directly from structurally anchored organizational democracy could be revealed only to a very limited degree. A possible explanation for this result could be that our study compared only enterprises with a medium or low level of structurally anchored organizational democracy. Thus, considering previous research, we assume that the effect would be considerably larger in firms with a high level of organizational democracy which is characterized by a higher degree of participation in tactical and strategic decision-making (Weber et al., 2008). Furthermore, while this study focused on the influence of structurally anchored participation, the level of perceived individual participation was not taken into account. Nevertheless, based on recent research it is reasonable to assume that the level of perceived individual participation in democratic decision-making explains more variance in prosocial and community-related orientations than the level of structurally anchored participation (see Weber et al., 2009).

Despite their theoretical relevance, the results also have practical implications. First, an argument is put forward that there is a link between structurally anchored organizational democracy, SMC and indicators of organizational performance. Indeed, several studies indicate that employee participation can enhance central success factors such as productivity (Forde et al., 2006). However, conceptualizing and measuring organizational performance is a continuous challenge for organizational research and remains a point of considerable debate in the literature (see Maltz et al., 2003). Whereas traditional

approaches have focused mainly on financial and economic indicators, recent approaches suggest more extensive and integrated frameworks which recognize the critical role of a multiple stakeholder perspective (Freeman, 1984; Maltz et al., 2003; Moldaschl and Fischer, 2004). Hence, we suggest that work-related prosocial behaviours and attitudes as well as organizational commitment can be integrated in such a framework of organizational success (cf. Hodson and Roscigno, 2004; Organ and Ryan, 1995; Podsakoff et al., 2000; Trevino et al., 2006). A prosocial, actively engaged and more committed workforce provides undeniable benefits for the organization, in particular in terms of employee citizenship behaviours, lower absenteeism and improved productivity.

Furthermore, recent research concerning team work indicates that an atmosphere of mutual caring, trust and participative cooperation which goes beyond mere information exchange between team members fosters both the creation and the transfer of knowledge (Tjosvold, 1998; Zárraga and Bonache, 2005). Findings from research on team reflexivity (for a review see Widmer et al., 2009) and team climate (Anderson and West, 1998) also support our proposition that SMC can promote team processes which enhance not only prosocial work orientations (cf. Ogunfowora et al., 2010) and affective commitment but also innovation activities of the cooperating employees. Anderson and West's (1998) Team Climate Inventory (TCI), a questionnaire measuring the climate for work group innovation, encompasses four factors that are supposed to predict work group innovativeness. Two of them, namely participative safety and organizational support for innovation, can be partly related to the SMC components of open communication and participative cooperation. A longitudinal study on the predictive validity of the TCI demonstrated that organizational support for innovation is a significant predictor of overall innovation, while 'participative safety emerged as the best predictor of the number of innovations and team self-reports of innovativeness' (Anderson and West, 1998: 245). Additionally, West and Hirst (2003) developed an input–process–output model of work group innovation and showed that both developing a climate for innovation, and practising a facilitative leadership style that encourages participation, sharing of ideas and open discussion exert a positive influence on innovation. Finally, a meta-analysis by Hunter et al. (2007) indicates that 14 factors of organizational climate, among them factors possessing an affinity to components of SMC (e.g. positive peer group, positive supervisor relations, positive interpersonal exchange, intellectual stimulation, participation), have a substantial influence on several indices of creative performance on the group level.

Taken together, we suppose that these findings can be applied to the organizational level. Thus, structurally anchored organizational democracy and SMC may also be important factors influencing the effectiveness of knowledge work and innovativeness in organizations.

## **Limitations and future research**

Of course, the present study suffers from several limitations. Most notable are the cross-sectional design and the predominant use of self-report questionnaires. Additionally, the use of retrospective assessment of pre-occupational socialization may be less suited to provide valid results in the field of organizational psychology. In fact, given their retrospective nature, the data concerning memories of parental rearing must be interpreted

cautiously. In particular, biases in the recollection of parental behaviour in terms of employees' current parental relationships and present personalities may limit the validity of the results (Halverson, 1988). On the other hand, current literature suggests that concerns about the fundamental invalidity of retrospective measures are exaggerated (Brewin et al., 1993; Gerlisma, 1994). In fact, the balance of evidence indicates that whereas the recollection of peripheral details is increasingly inexact, the recall of central features of life events is reasonably stable over time. Since the measure used in this study refers to global judgements of recalled parenting instead of more specific evaluations, it can be assumed that the obtained results represent relevant differences in terms of pre-occupational socialization experiences among the participants.

In order to provide more insight into ethics-related organizational socialization processes, future research should involve longitudinal data. In the best of cases, sophisticated longitudinal studies would include data from different phases (e.g. education, organizational entry) and spheres (e.g. family, school, organizational context) of life. Obviously, such longitudinal studies are very complex, difficult to design and cost- and personnel-intensive. Furthermore, longitudinal designs are also subject to inherent difficulties as, for instance, panel mortality and biases concerning repeated assessments of respondents' behaviours or attitudes. Therefore, an alternative and perhaps more feasible design could refer to processes of organizational restructuring. If, for instance, a conventionally structured company starts to implement elements of organizational democracy and makes efforts to foster a favourable SMC, a follow-up study could investigate, in comparison to a control group, the long-term consequences associated with organizational democracy and SMC. To our knowledge, no prior research has taken this approach concerning the interrelations investigated in the present study.

Finally, an important theoretical limitation of our study should be noted. Recent research regarding organizational participation, organizational justice and ethical climate shows that the hypothesized relationships between SMC and relevant outcome criteria may be influenced by several other factors. These possible interrelations are hypothetical in nature, not only because some of them are still under-researched, but because of organizational justice and ethical climate overlap, notwithstanding the fact that they are not identical with SMC. The following internal and external factors were found to have an effect on fostering and hampering participation in democratic enterprises and should therefore be analysed in the context of future research:

- Adverse economic conditions and employment insecurity (Carter, 2006; Greenberg et al., 1996; Heller, 2003; Strauss, 1998);
- Increasing organizational size (Carter, 2006);
- Level of interpersonal conflict and refraining from conflict management (Carter, 2006; Tjosvold, 1998);
- Disappointed individual expectations referring to employees' participation and responsibility (Carter, 2006; Strauss, 1998);
- Education and vocational training with reference to participation and acceptance of responsibility in the context of the specific organization (Brady et al., 1995; Heller, 2003).

## Conclusion

The findings of our study have elucidated the research questions we addressed. First, structurally anchored organizational democracy represents a substantial predictor of employees' perceived SMC. Second, controlled for pre-occupational socialization experiences, SMC is positively linked to employees' level of prosocial and community-related behavioural orientations and commitment. As expected, this effect is significantly stronger in democratically structured enterprises. Interpreting these results from a socialization-oriented perspective seems to be useful concerning our understanding of the interrelation between organizational context and employees' ethical attitudes and value orientations.

The final conclusion of the present study concerns the societal level. Of course, the assumption that structurally anchored organizational democracy, as well as favourable work environments in terms of SMC may have immediate effects on the societal level would be a little bold. Nonetheless, since prosocial and community-related behavioural orientations represent civic virtues, which play a central role in maintaining a democratic society, we believe that in the long term the promotion of organizational democracy and the reinforcement of SMC may contribute to the enhancement of societal cohesion.

Of course, since perspective is significant to this idea, this conclusion can also be related to the notion of organizational success. Such a comprehensive approach that goes beyond a narrow management perspective was pointed out already 40 years ago. Indeed, Pickle and Friedlander (1967: 165) got right to the point by stating, 'The ultimate criterion is not only the total value of the man to his organisation . . . but also the total value of the organisation to its society.'

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