Exploring the Influence of Ethical Norms on Organizational Knowledge Management: An Ethical Climate Perspective

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ABSTRACT
Since 1990, knowledge management has been developed and adopted as an essential strategy to foster the creation as well as utilization of organizational intellectual resources. Organizational intellectual capital is derived both individually and collectively from the process to create, store, share, acquire and apply the personal and organizational knowledge. Numerous studies have proposed that organizational culture is essential to support organizational knowledge management activities and effectiveness. However, many organizations put much emphasis on the individuals’ knowledge contribution and subsequent performance, neglecting the importance of brainstorming or contribution of knowledge sharing with others. In addition, some organizations only focus on the development of public goods, despite the concerns of individuals’ self-interest or possible risk. The only single aspect of individual or collective approach toward knowledge management will inevitably lead to the ethical conflicts in the organization.

The purpose of this study intends to examine the ethical norms within an organization and its possible influence on the members’ evaluation, satisfaction, engagement, and job performance about the organizational knowledge management process. The research constructs are identified and measuring items will be developed on the basis of literature review. The method to carry out this study will utilize survey methodology. Meanwhile, statistical analysis will also be conducted to test our hypothesized relationships between constructs.

Keywords
Knowledge management, ethical norms, organizational ethical climate.

INTRODUCTION
From 1990s, the development of knowledge economy has emerged as an important issue for organizations to increase their performance and benefits. Traditionally, organizations pay much attention to physical assets such as natural resources, mechanical facilities, labor, financial capital, etc., and evaluate countable revenues they may be able to achieve. Unlike the inevitable exhaustion of physical resources, knowledge is viewed as an intangible capital that can be created, shared, acquired, reused and applied among people. The knowledge management strategies within an organization accelerate collective learning, increase competitiveness to the rapid market changes and gain more customer satisfaction (Davenport and Prusak, 1998). In order to maximize the innovation benefits and competitive advantages, more and more organizations address to exploit and retain their collective intellectual capital as well as to foster the collaborative working and learning between organizational members (Alavi and Leidner, 2001).

Knowledge is basically derived from individual’s tacit ideas, insights, expertise and skills; it is further demonstrated in the form of explicit and codified knowledge. The initiative of organizational knowledge management mainly focuses on the facilitation of knowledge exchange with others and also the development of common knowledge within the organization.
Thus, knowledge is usually considered public goods, owned and maintained by the organization (Wasko and Faraj, 2000). Once the knowledge management system (KMS) is proposed and adopted as an effective tool to support knowledge management activities, organizational collective knowledge is easily aggregated from individual knowledge through interpersonal interaction, open discussion, collaboration and knowledge exchange with others. In addition to the perspective that collective knowledge is the simple collection of individuals’ private knowledge, knowledge is also embedded in the social practice (Nahapiet and Ghoshal, 1998). KMS can be utilized within an organization’s shared context and further creates a new type of organization’s intellectual capital to increase its competitive advantage.

Although some studies have advocated that KMS can increase the competitiveness for organizations, the notion of information technology itself falls easily into the myth of technology-determinism (Pfeffer and Sutton, 1999; Dixon, 2000). Much emphasis has been placed on system features and the performance of knowledge management is expected to be accomplished automatically by the adoption of KMS. Actually, the success of knowledge management depends on interpersonal interaction and the relationship quality (Szulanski, 1996), instead of the technology alone. Several impediments to organizational knowledge management have been pointed out, including knowledge hoarding due to the nature of knowledge private assets or public goods, possible leaking and economical loss of valued knowledge, apprehension over the failure in public, fear of criticism from others, security and privacy considerations, and Not-Invented-Here syndrome in a hostile environment (Ardichvili, Page, and Wentling, 2003; Michailova and Husted, 2003). Consequently, KMS implementation is not built into the organizational culture enough to reinforce members’ knowledge management participation (McDermott and O’Dell, 2001), and becomes an “expensive and useless information junkyard” (McDermott, 1999) in which knowledge management can neither effectively facilitate collaboration nor leverage knowledge application among organization members.

Organizational culture has been playing the major role in the success of organizational knowledge management, which is rooted in the institution’s core values and reflected in terms of missions and objectives (Janz and Prasarnphanich, 2003). Similarly, Alavi, Kayworth and Leidner (2005-6) propose that a KMS could be viewed as an organization’s cultural artifact, which might be affected by existing organizational values or reshapes a new set of values toward knowledge management. Since people are embedded in an organization, a natural knowledge sharing culture with trust and collaboration encourages members to be more willing to share their knowledge (McDermott and O’Dell, 2001). Otherwise, cultural values concerning individual power and competition will lead to knowledge hoarding (DeLong and Fahey, 2000). For example, the performance of Texas Instrument’s “Free Fab” facility designed to transfer internal best practices was found to be under expectation. This is due to the lack of cooperation and culture sharing in the company (O’Dell and Grayson, 1998). Thus, knowledge-intensive culture is necessary to encourage organizational knowledge management and develops sufficient trust to minimize possible conflicts among individuals and organizations (Jager, 1999; Alavi and Leidner, 2001).

Organizational culture could be a key driver to influence how people engage in organizational knowledge management as well as what they expect others to behave in related activities. Ruppel and Harrington (2001) have proposed that the concerns for employees’ own best interests or the fear of sharing knowledge with others are part of an organization’s ethical culture. Their study results demonstrate that ethical culture is the most significant antecedent of knowledge management behavior within an organization. Moreover, McCann and Buckner (2004) emphasize that the ethical concern within an organization is essential for knowledge management initiatives to minimize ownership conflicts as well as to reinforce the norms of knowledge creation, sharing, and retention. Although substantial studies have indicated the importance of organizational culture, there are few empirical studies to examine a direct relationship between organizational ethical norms and knowledge management. Thus, our study follows these arguments about the linkage between knowledge management and organizational culture, and asserts that the effectiveness of knowledge management system needs to be examined from the organization members’ view, value and judgement. More discussion about relationships between organizational ethical norms and knowledge management activities will be presented in the following section.

Theoretical Framework

Organizational ethical norms

According to Ferrell, Fraedrich and Ferrell (2008), ethical behavior is regarded as an accelerator to increase organizational performance. Generally speaking, organization members are guided what is right or wrong, acceptable or unacceptable through collective ethical norms. The fact that people know everyone should behave ethically not only implies the abidance of accepted rules and standards within the organization, but also reinforces an individual’s reputation, trustworthiness, and long-term relationships with others. Organizational management has emphasized the importance of ethical values by stating that members work in an ethical place in which they have clear organizational values as well as developed justice, fairness, honesty, and trust (McDaniel, 2004). These ethical norms increasingly attend to influence organizational members’ ethical concerns and behavior, thus also enhances their productivity. Furthermore, organizational benefits can be raised when
members’ commitment, investors’ loyalty, and customers’ satisfaction develop under the organizational ethical culture (Ferrell, Fraedrich, and Ferrell, 2008).

Ethical theory is mostly examined from two perspectives: deontology and teleology. Deontology refers to the evaluation of an inherent good or bad of the action itself, instead of the value or consequences it brings (Clark and Mills, 1993). Conversely, teleology evaluates the consequences of human behavior and assesses the values to meet personal interests or social/economic obligations (O'Boyle and L. E. Dawson, 1992). The concern of one’s self-interest is defined as egoism, while social or economic obligations generally imply the voluntary intention to increase other’s welfare, and expect no external rewards (Simmons, 1991). For an organization, deontology and teleology can both have significant influences on members’ behavior. McDaniel (2004) argues that organizational members consider how they should behave within the organization and understand how their actions may affect themselves and others. Noteworthily, organizational ethics is not an addition to the individuals’ ethical behavior. Rather, by the interactive nature of interpersonal relationships, the ethical norms are formed and emergent as normative influences contributing to the organization’s ethical environment. Therefore, organizational ethical norms are not only positively associated with individuals’ ethical judgment, but also the consequences of ethical decision-making that admit collective objectives and facilitate significant benefits with organization’s common purpose.

Organizational ethical climate

Victor and Cullen (1964) propose the concept of organizational ethical climate to articulate one dimension of work climate. A work climate is defined as individuals’ acceptance and perception of an organization’s practice and procedures. In congruent with managerial needs, work climate can establish an organization’s psychological environment and increases employees’ job performance as well as their satisfaction (Vroom, 1964). Since organizational ethical climate demonstrates the shared beliefs and values, it can shape and guide organizational members’ behavior in the determination of right and wrong at work (Smircich, 1983; Smith, Kass, Rotunda, and Schneider, 2006). Furthermore, Wimbush, Shepard and Markham (1997), along with Barnett and Vaicys (2000), have proved that organizational ethical climate is positively related to people’s ethical judgments, intentions and behavior in their organizations, as they keep concerning the ethical procedures and follow the ethical practices.

Victor and Cullen have developed a measurement of ethical climate questionnaire (ECQ) to assess the level of people’s ethical perceptions in an organization. The development of ECQ is derived from ethical criterion and level of analysis constitute. Based on the study of Kohlberg (1981), there are three types of ethical standards affecting people’s behavior: self-interest, caring, and principle. The ethical criterion reflects motives in the maximization of one’s own interests, public interests, or conformity with universal principles, respectively. As for the level of analysis, it refers to identifying the referent group, ranging from the individual to the social systems, which can exert influence in individual or collective making of ethical decisions (Vroom, 1964). Since organizational members and their activities are embedded in the social system, connection with the reference groups can help establish group identification, obtain information and make judgment to meet organization’s expectation.

Victor and Cullen’s theory of organizational ethical climate generates nine types of ethical climate, including: self-interest, company profit, efficiency, friendship, team interest, social responsibility, personal morality, company rules/procedures, and laws/professional codes, which have been designed to recognize organizational ethical norms that are directly related to the supporting of ethical behavior. Empirical studies distinguish several emergent factors by using a principle component analysis, such as caring, law/code, rules, instrumental, independence, and so on (Vroom, 1964; Cullen and Victor, 1993). However, these findings are incongruent with each other. Peterson (2002) suggests the original nine-type model provides better fit to examine organizational ethical climate and proves the types of ethical climate have stronger relationships with individual ethical behavior. Following Victor and Cullen’s suggestion that there may exist some degree of mutual exclusion between these climates (Vroom, 1964), our study intends to investigate the possible influence of each ethical climate on organizational knowledge management.

Knowledge management

There are diverse perspectives regarding knowledge and the implications for knowledge management. Tacit and explicit knowledge are two most referred statement to describe what people know with their mental comprehension or in the form of articulated and codified text (Nonaka, 1994). Moreover, knowledge may be discussed from the viewpoints of state of mind, object, process, access of information, or capability (Alavi and Leidner, 2001). Among these perspectives, Alavi and Leidner (2001) indicate that knowledge management is largely considered a process involving four basic activities of creating, storing/retrieving, transferring, and applying. Shin, Holden and Schmidt (1993), along with Jager (1999), also focus on the significance of various processes of knowledge management, including creation, identification, collection, storage,
distribution, and application. Moreover, in McCann and Buckner’s proposed KMAT model (McCann and Buckner, 2004), they demonstrate the strategic dimensions of KM activities. These dimensions articulate that how knowledge is assessed, valued, and expressed in terms of organizational objectives and strategies; how knowledge is created, acquired, shared, retained, and applied to increase organizational performance.

Numerous studies have stressed the strategic benefits of knowledge management. Knowledge management is adapted as a significant approach to identify, leverage, and create the collective knowledge in an organization. Successful knowledge management is expected to increase organizational competition, productivity, innovativeness, and responsiveness (Davenport and Prusak, 1998; Alavi and Leidner, 2001). The evaluation of knowledge management performance implies the valuing and measuring organizational learning and capabilities to align individual and organizational practices, as well as to meet the shareholder’s needs (Bock, Zmud, Kim, and Lee, 2005). Gilbert and Cordey-Hayes (2000) recognize that knowledge management and organizational learning would lead to the achievement of successful technological innovation. Similarly, Gold, Malhotra and Segars (Gold, Malhotra, and Segars, 2001) identify key contributions of knowledge management that may include advanced competence to innovate new products/services, better coordination of individuals or different units, and quick responses to potential market opportunities.

Although knowledge management can leverage and support organizational effectiveness, it is not anticipated to replace the organizational members who offer their ideas and innovations in their everyday practices (Tiwana, 2000). Instead, the performance of knowledge management primarily depends on individual’s perceptual evaluation of efforts and benefits for knowledge management activities. As the KM success model proposed by Kulkarni, Ravindran and Freeze (2006-7), their research results reveal that the extent to which an individual recognizes the usefulness of knowledge management that improves job performance, work productivity, job effectiveness, and effortlessmess, reinforces their satisfaction with accessibility and adequacy of needed knowledge. They also prove that the more user satisfaction with organizational knowledge management, the more it increases knowledge utilization in the working practice. Similarly, Becerra-Fernandez and Sabherwal (2001) place emphasis on individual’s perceived knowledge satisfaction, instead of an objective assessment of knowledge effectiveness. They further suggest that organization’s manager should understand the characteristics of tasks and develop proper knowledge management processes in order to enhance organizational knowledge management satisfaction which then results in more knowledge effectiveness.

RESEARCH MODEL AND HYPOTHESES

According to the preceding literature review, we have understood the potential effect of an organization’s cultural values on knowledge management activities, KMS adoption, and the subsequent outcomes of knowledge management. Since ethical norms are regarded as one notable dimension of organizational culture to guide people’s ethical behavior (Ruppel and Harrington, 2001; Wang, 2004), it may have further influence on individuals’ participation in knowledge management activities and consequent effectiveness. The associations among organizational ethical norms and individual perceptions of organizational knowledge management are similar with the conceptual model proposed by Alavi, Kayworth and Liedner (2005-6), demonstrating the relationships between organizational values, behaviors, and outcomes. Specifically, considering the organizational ethical norms and knowledge management issues, we present a research model as shown in Figure 1, and will conduct a survey to examine how organizational ethical norms may influence individuals’ perception, behaviors, and the benefits regarding knowledge management.
The formulation of research model and hypotheses can be explained from two aspects: the influence of organizational ethical climate on knowledge management, and the individuals’ perception and the benefits of knowledge management engagement in organizations.

**The influence of organizational ethical climate on knowledge management**

Several studies (e.g., Wimbush, Shepard, and Markham, 1997; Barnett and Vaicys, 2000; McDaniel, 2004) have argued that the organizational ethical climate exert the influence of how organizational members should assess and behave, composed of people’s ethical judgments, perceptions and behavior. Organizational ethical climates reflect the ethical standards and norms, served as a referent source of moral reasoning to determine what is considered ethically appropriate. More specifically, in terms of maximizing one’s self-interests and company profits, individuals tend to be negatively associated with ethical behavior (Peterson, 2002). Simons (1991) defines the concern of one’s self-interest as egoism, and argues that social or economic obligations generally imply the voluntary intention to increase other’s welfare without expectation of external rewards. Accordingly, organizational members consider how they should behave within the organization and understand how their actions may affect themselves and others (McDaniel, 2004).

Within the context of knowledge management in an organization, the engagement of organizational knowledge management also reveals the ethical concern of private knowledge assets against collective knowledge benefits (McDermott and O’Dell, 2001; Detert and Edmondson, 2007). Ruppel and Harrington (2001) identify the ethical culture as one dimension of organizational culture and prove the positive relationship with knowledge contribution. Similar argument is also made by Bock, Zmud and Kim (2005) that the more group norms individuals conform, the more attitude toward knowledge sharing will be. In this study, we use the concept of organizational ethical climate from Victor and Cullen in order to identify the potential influence of organizational ethical norms. Based on the forecited relationships among organizational ethical climate, individual’s ethical judgement, behavior, and knowledge management activities, we develop the following two hypotheses:

**H1:** Organizational ethical climate will be positively or negatively related to their attitude toward organizational knowledge management.

**H2:** Organizational ethical climate will be positively or negatively related to their organizational knowledge management process engagement.

**The individual’s perception and benefits of knowledge management engagement in organizations**

The success of knowledge management is not merely on account of information technology features, but also relies on the individuals’ evaluation of knowledge management efforts and benefits. Drawn upon the psychological concept of attitude an perceptual evaluation of the performance of behavior as positively or negatively valued(Ajzen, 2001), Bock and Kim (2002) have proved that individuals’ attitude toward knowledge sharing significantly leads to their intention of participating in knowledge sharing activities. Becerra-Fernandez and Sabherwal (2001) demonstrate the influence of knowledge management processes on individuals’ knowledge management satisfaction. Similarly, Kulkarni, Ravindran and Freeze (2006-7) indicate that individuals’ recognition of knowledge management effectiveness will reinforce their satisfaction with the knowledge and then results in more knowledge use as well as the work performance. To synthesize these contentions, our study is designed to examine the relationships among the attitude toward organizational knowledge management, knowledge management process engagement, knowledge management satisfaction, and job performance. Thus, we propose the following hypotheses,

**H3:** Individuals’ attitude toward organization knowledge management will be positively related to their organizational knowledge management process engagement.

**H4:** Individuals’ knowledge management process engagement will be positively related to their satisfaction with organizational knowledge management.

**H5:** Individuals’ knowledge management process engagement will be positively related to their job performance.

**H6:** Individuals’ satisfaction with organizational knowledge management will be positively related to their job performance.

A summary of constructs of our research model is described in Table 1.
For this study, we adopt a survey methodology to collect and analyze empirical data. The measuring items are developed on the basis of literature discussed above. For organizational ethical climate, 36 items proposed by Cullen and Victor (1987) are utilized and analyzed into different types. Based on Ajzen’s theory (1988; 2001), items of organizational knowledge management attitude are developed to measure individuals’ perception of organizational knowledge management as good, beneficial, pleasant, and valuable. As for knowledge management engagement, many researchers, for example have argued various dimensions of organizational knowledge management processes (e.g., (Nonaka and Takeuchi, 1995; Jager, 1999; Alavi and Leidner, 2001). Generalizing from these studies, we identify four basic dimensions, including acquisition, collection, apply, and sharing of knowledge. Additionally, related activities are defined to reflect the individuals’ engagement in organizational knowledge management. As for knowledge management satisfaction, we follow Becerra-Fernandez and Sabherwal (2001) to examine the satisfaction with organizational knowledge management, such as the availability of knowledge for tasks, knowledge sharing among individuals, effectiveness improvement and so on. Finally, the measurement of job performance is conducted in the aspects of work effectiveness, efficiency, and quality. The survey will be measured on a five-point Likert scale ranging from “strongly disagree” (=1) to “strongly agree” (=5). After gathering the data, we will examine the validity and reliability of the questionnaire. In order to clarify the contribution of our research model, statistical analysis will also be utilized to test our hypothesized relationships between constructs.

**DISCUSSION**

There have been numerous studies discussing the influence of organizational culture on knowledge management initiatives. As Alavi and many other researchers have mentioned, the success of knowledge management relies mostly on organizational culture, instead of procedures of knowledge management or technical features of KMS only (Judge and Watanabe, 1993; Jager, 1999; Alavi and Leidner, 2001). However, various dimensions of organizational culture exist and it is necessary for researchers to adopt specific variables for related organizational activities (Vroom, 1964). The conflicts of knowledge management occur because of the nature of knowledge as private asset or public goods. As a result, how organizational members perceive the organizational knowledge management could be regarded as the ethical judgment in the determination of right and wrong behavior in an organization. The ethical dimension of organization culture deserves more examination and validation.

This study focuses mainly on how organizational ethical norms affect an individual’s perceptual values as well as his
behaviors toward organizational knowledge management. We expect to examine the association between organizational ethical norms and related knowledge management issues, such as an individual’s attitude, behavior, and satisfaction toward knowledge management. Drawn upon the works of Victor and Cullen, nine dimensions of organizational ethical climate can be correlated with ethical behavior. Each dimension is worth examining separately on the relationship between the organizational ethical climate and the knowledge management process behavior. In addition, the benefit of knowledge management on job performance is also used as an important construct to measure knowledge management effectiveness.

EXPECTED CONTRIBUTIONS AND FUTURE WORK

This study will enable the development of theoretical and practical designs that provide organizations and individuals with an understanding of how organizational culture, that is organizational ethical norms in our study, is affecting organizational members’ knowledge management participation. For theoretical contribution, although many researchers have suggested the influence of organizational culture or climate on knowledge management practice, there has been far less research conducted from the ethical norms perspective. To address this issue, several constructs and hypothesized relationships are designated in the research model. Results of this study can examine the claim we discuss above. Besides, future work will hopefully extend this research to explore the potential antecedents of organizational ethical climate. For practical aspects, organization’s managers should be aware that any knowledge management strategy or KMS adoption does not guarantee the success of knowledge management. Factors regarding the organization and individual have been discussed in the focus of managerial benefits. In this study, organizational ethical norms can be practically implemented and assessed in the organizational knowledge management initiatives, in which organizational members acquire, store, share, and create knowledge with shared values and beliefs.

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