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How Does Corporate Ethics Contribute to Firm Financial Performance? The Mediating Role of Collective Organizational Commitment and Organizational Citizenship Behavior

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Despite the increasing significance of corporate ethics, few studies have explored the intermediate mechanisms that explain the relationship between corporate ethics and firm financial performance. Drawing on institutional theory and strategic human resource management literature, the authors hypothesize that the internal collective processes based on employees' collective organizational commitment and organizational citizenship behavior (OCB) mediate the ethics-performance relationship at the organizational level. The authors' hypotheses are tested using data collected from 3,821 employees from 130 Korean companies and the respective companies' financial performance data. The results indicate that collective organizational

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commitment and interpersonal OCB are meaningful intervening processes that connect corporate ethics to firm financial performance. To complement prior studies that identify a firm's reputation and external relations as mediators between corporate ethics and performance, the present study highlights the need to examine microprocesses occurring within the organization to account for the ethics–firm performance relationship. Moreover, the present demonstration of collective organizational commitment and OCB as meaningful predictors of a firm's objective performance indicates the significance of these employee processes in explaining organizational-level outcomes.

Keywords: *corporate ethics; firm financial performance; organizational commitment; organizational citizenship behavior*

Recent scandals regarding the moral deficiency of some firms have stimulated public sensitivity toward ethical issues of organizations. The growing importance of ethics in firms is driving these firms to establish or buttress ethical standards for their daily functions. Management scholars increasingly have focused their attention on ethical matters in firms and have proposed corporate ethics as a fundamental construct that provides insight into a firm's position in various ethical situations (Sims, 1991; Treviño, Butterfield, & McCabe, 1998; Valentine & Barnett, 2002). In this domain, the possibility of economic success for ethical firms is a highly important—albeit controversial—issue. This question is especially critical for business organizations that consider maximization of economic gains as their foremost concern. If the ethical functioning of firms is incompatible with their pursuit of economic goals and profit, the momentum toward being ethical would stand on weaker grounds. Therefore, systematic investigations into the relationship between firms' ethical characteristics and performance as well as its underlying mechanisms are necessary.

Responding to these calls, recent studies have examined the relationship between corporate ethics and firm performance, generally reporting a positive, but somewhat weak, association between them (Orlitzky, Schmidt, & Rynes, 2003; Waddock & Graves, 1997). However, the processes through which corporate ethics affect firm performance still remain unclear. The predominant theoretical perspective in explaining the positive implications of corporate ethics for firm performance has been externally oriented, mostly focusing on stakeholders outside the organization. For example, Hosmer (1994) maintained that corporate ethics contributes to firm performance by promoting trust between focal firms and their stakeholders, such as customers, suppliers, and vendors. In a similar vein, Long and Driscoll (2008) argue that a firm's code of ethics leads to its attainment of organizational legitimacy for its external stakeholders, eventually helping the firm to survive in the future. Marketing researchers also have identified the effects of corporate ethics on customer relations (Luo & Bhattacharya, 2006) and reputation (Roberts & Dowling, 2002) that enhance firm performance. Taken together, these studies endorse a perspective stating that corporate ethics improves a firm's external relations, legitimacy, and reputation, thus leading to increased firm performance.

Complementing the prevailing external perspectives, the present study considers an *internally oriented perspective* for the ethics–firm performance relationship. Given that

employees are the agents who engage in corporate ethics and yield organizational performance, their role should not be overlooked in accounting for the relationship between corporate ethics and firm performance. Microprocesses offer explanations for macro-organizational actions when these actions are influenced by individuals (Staw, 1991). Moreover, human resource researchers have posited that the benefits of any firm-level practice can materialize only through employee behaviors (Becker, Huselid, Pickus, & Spratt, 1997). Therefore, we propose that *internal collective processes* involving employees are critical mediating processes that link a firm's ethicality to its financial performance. Our examination of internal processes complements the extant ethics literature largely focused on external processes.

Previous studies on corporate ethics that took either a macro- or a microperspective are also integrated here. As noted above, studies adopting a macroperspective have typically focused on external processes by putting the organization as a unit of the system involving external constituents (Long & Driscoll, 2008; Luo & Bhattacharya, 2006; Roberts & Dowling, 2002). In contrast, studies from a microperspective have examined the relationship between corporate ethics and employee outcomes, such as job satisfaction and organizational commitment, at the individual level (e.g., Baker, Hunt, & Andrews, 2006; Sharma, Borna, & Stearns, 2009). Unfortunately, these two streams of corporate ethics research are fragmented, and virtually no attempts have been made to address both macro- and microdynamics in a single study. In the present study, we integrate the macro- and microperspectives and develop a framework that addresses how the macrolevel relationship between corporate ethics and firm performance is mediated by microlevel processes, such as employee attitudes and behaviors. In doing so, we draw on institutional theory and propose that firm-level ethical practices are positively associated with desirable internal processes involving employees that, in turn, predict firm financial performance (Scott, 1995).

In summary, this study aims to expand the corporate ethics literature by identifying internal collective processes that might account for the firm-level relationship between ethics and performance. Specifically, we focus on firm-level organizational commitment and organizational citizenship behavior (OCB) as key constructs representing employee attitudes and behaviors because they are considered critical work-related attitudes and behaviors and are important antecedents of firm performance (Kehoe & Wright, 2013; Podsakoff, Whiting, Podsakoff, & Blume, 2009). Our theoretical propositions were empirically tested using data from 3,821 employees and executives of 130 Korean business organizations, as well as the respective financial performance data of these companies.

Conceptualization of Corporate Ethics

Drawing on the literature on corporate ethics and ethical climate, corporate ethics is defined as *employees' perceptions* of their firm's ethical practices (Barnett & Vaicys, 2000; Jin & Drozdenko, 2010). Employees' perceptions of corporate ethics tend to serve as ethical standards when they make decisions on ethics-related issues (Kish-Gephart, Harrison, & Treviño, 2010). Although researchers agree that employee perceptions of corporate ethics are meaningful predictors of work outcomes, such as job satisfaction (Tsai & Huang, 2008)

and organizational commitment (Cullen, Parboteeah, & Victor, 2003; Schwepker, 2001), there is no consensus regarding the dimensions or components comprising corporate ethics. For example, Victor and Cullen (1988) classified ethical work climates into the caring, law and code, rules, instrumental, and independence dimensions. Treviño et al. (1998) categorized ethical climates into 10 dimensions: ethical environment, employee focused, community focused, obedience to authority, code implementation, self-interest, efficiency, rules and procedure, personal ethics, and law and professional codes.

To deal with inconsistencies among different typologies of ethical climate as well as to provide an overarching classification of corporate ethics, we identify three dimensions of corporate ethics based on the loci of firms' ethical behaviors or characteristics: *external*, *internal*, and *employee ethics*. This conceptualization is congruent with the ethics qualities model proposed by Kaptein and Van Dalen (2000) in that it covers three domains of ethical practices: (a) a firm's relationships with external stakeholders, (b) its internal ethical functioning, and (c) the morality and ethical behaviors of employees. These three dimensions are consistent with three distinct approaches to corporate ethics research that focus on the consequence, context, and conduct aspects of ethics, as explained below (Kaptein & Van Dalen, 2000).

First, external ethics is consistent with the consequence approach because it focuses on the effect of firms' ethical activities on external stakeholders (Elkington, 1997; Zadek, Pruzan, & Evans, 1997). The external ethics dimension also matches the caring climate described by Victor and Cullen (1988) and the community-focused climate in Treviño et al.'s study (1998). External ethics can take the form of a highly active contribution aimed at enhancing the welfare of society (e.g., Chen, Patten, & Roberts, 2008) or a passive one through which a firm benefits the society by pursuing its economic operations (Friedman, 1970). Although specific implications of these forms can have subtle differences, one thing they all have in common is the view that a firm "contributes" to society through its voluntary ethical activities.

Second, internal ethics represents the context approach, which pertains to the firm as a context for ethical functioning. The internal ethics dimension taps into the law and code climate of Victor and Cullen (1988) as well as the climate of law and professional codes presented by Treviño et al. (1998). This dimension relates to the extent to which a firm performs its key functions and manages its employees in a way that abides by legal and ethical standards imposed by society (Weaver, Treviño, & Cochran, 1999).

Finally, employee ethics pertains to the conduct approach to corporate ethics in that it is associated with employees' morality in their daily task behaviors (Reynolds & Ceranic, 2007). The employee ethics dimension also corresponds to the independence climate of Victor and Cullen (1988) as well as the personal ethics climate of Treviño et al. (1998). For a firm to be considered ethical, its employees must have their own moral standards and behave according to these standards. The reason why employees' own moral standards are emphasized as part of corporate ethics is that, when a firm lacks its own ethical standards, the employees' own morality would take over and guide their ethical behaviors and decision making (Fritzsche & Oz, 2007). Employee ethics is especially critical to employees who face moral dilemmas or ambiguity in their jobs (Detert, Treviño, & Sweitzer, 2008).

The Mediating Role of Collective Organizational Commitment and OCB in the Ethics–Firm Performance Relationship

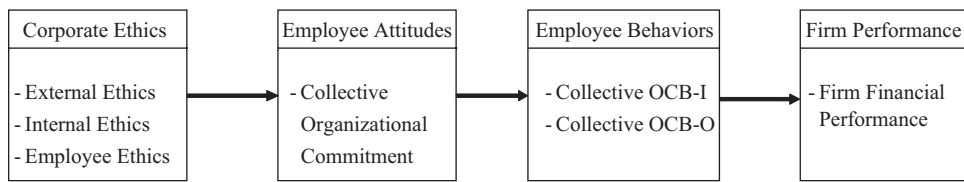
As discussed above, previous studies that have attempted to explain the firm-level ethics–performance link have predominantly focused on external processes, as instrumental stakeholder theory (Jones, 1995) provides its theoretical foundations. In this view, a firm can satisfy its stakeholders if it behaves ethically with a sense of social responsibility, which in turn affects its performance. Unfortunately, studies based on instrumental stakeholder theory address only how corporate ethics improves firms' relationships with external stakeholders while overlooking the significance of internal stakeholders (i.e., the employees). Studies on strategic human resource management, in contrast, demonstrate the pivotal importance of employees in the creation of sustained competitive advantages leading to various organizational performance outcomes (Combs, Liu, Hall, & Ketchen, 2006). Human resource practices are expected to shape employees' attitudes and behaviors that, in turn, influence the operational and financial performance of the organization (Becker et al., 1997). Similarly, according to the context-attitude-behavior framework (Martin & Cullen, 2006), organizational contexts surrounding employees affect their attitudes and behaviors.

As an overarching theoretical framework, we draw on institutional theory (Scott, 1995), which posits that an institutional structure shapes macro-outcomes by influencing microevents, such as organizational members' cognition and behavior. Based on institutional theory, corporate ethics is proposed, as an institutional force, to be indirectly related to firm performance through microlevel mechanisms involving employee attitudes and behaviors (Scott, 1995). Specifically, employees' collective organizational commitment and OCB are identified as key intervening mechanisms between corporate ethics and firm performance (see Figure 1). Employees' organizational commitment and OCB have been recognized as important consequences of corporate ethics in the previous literature, although at the individual level (Baker et al., 2006; Hunt, Wood, & Chonko, 1989; Jacinto & Carvalho, 2009; Schwepker, 2001). Moreover, other microlevel studies have highlighted the significance of organizational commitment and OCB as predictors of organizational performance (Angle & Perry, 1981; Podsakoff et al., 2009). Therefore, collective organizational commitment and OCB appear to operate as significant intermediate processes between corporate ethics and financial performance.

Organizational commitment refers to the level of an individual's identification with and involvement in his or her organization (Mowday, Porter, & Steers, 1982). Although organizational commitment consists of affective, normative, and continuance commitment (Allen & Meyer, 1990), we focus on *affective commitment*, referring to the positive affect and attachment to the organization. Affective commitment has been demonstrated to be the most important aspect of organizational commitment, holding the most significant implications for task performance and OCB (Kehoe & Wright, 2013).

OCB is defined as employees' extrarole and discretionary behaviors that can contribute to organizational performance (Organ, Podsakoff, & MacKenzie, 2006). It is generally categorized into two types: (a) interpersonally directed OCB (OCB-I) that benefits others, such as helping others who are behind in their work, and (b) organizationally directed OCB

Figure 1
Theoretical Framework of Corporate Ethics and Firm Performance



Note: OCB-I = interpersonally directed organizational citizenship behavior; OCB-O = organizationally directed organizational citizenship behavior.

(OCB-O) that benefits the organization in general (e.g., obeying the rules of the organization when others are not present; Williams & Anderson, 1991). In this study, both OCB-I and OCB-O are examined because they tap into the distinct aspects of OCB that promote organizational performance. In the next sections, we will address multilevel issues related to firm-level organizational commitment and OCB and extensively explain each of our hypotheses.

Collective Organizational Commitment and OCB

In the present study, organizational commitment and OCB are conceptualized at the firm level. Although a growing number of studies have conceptualized organizational commitment (Simons & Roberson, 2003) and OCB (Bommer, Dierdorff, & Rubin, 2007; Ehrhart, 2004; Mayer, Kuenzi, Greenbaum, Bardes, & Salvador, 2009; Shin & Choi, 2010) at the group or work unit level, very few studies have examined the two constructs at the firm level. We argue that organizational commitment and OCB can be conceived of at the firm level because of the following reasons.

First, studies have shown that organizational commitment and OCB are affected by organization-level variables, such as organizational culture and climate, organizational support, and CEO leadership (Hrebiniak & Alutto, 1972; Morris & Sherman, 1981; Somech & Drach-Zahavy, 2004; Steers, 1977). For example, employees of organizations characterized by a supportive climate are more likely to exhibit greater commitment than those in less supportive organizations. Given that members of the same organization are exposed to the same organizational context that promotes or impedes commitment and OCB (Somech & Drach-Zahavy, 2004), members of a firm exhibit similar levels of organizational commitment and OCB, distinguishable from those of other firms.

Second, the collective social exchange perspective postulates that employees of an organization similarly interpret their social exchange relationship with the organization (Blau, 1964; Gong, Chang, & Cheung, 2010). Collective social exchange is a generalized form of exchange relationships that emerge from various individual exchanges but transcend individual exchange relationships (Gong et al., 2010). The reward systems and human

resource policies of a firm affect employees' collective social exchange relationship with the firm (Cardona, Lawrence, & Bentler, 2004). Employees' shared perceptions of such a collective social exchange relationship affect the normative level of collective commitment and OCB.

Finally, the emergence of collective commitment and OCB can be facilitated further by social learning processes (Bandura, 1977) and the formation of implicit norms in workplaces. While interacting with others who demonstrate certain levels of commitment and citizenship behavior, employees are likely to adjust themselves so that they can perceive and behave in similar ways with the other members in their organizations. Through such processes, they are likely to maintain their social identity as members of the organization (Tajfel, 1974).

The operationalization of organizational commitment and OCB as an organizational-level phenomena is consistent with the early discussion of organizational commitment (Buchanan, 1974; Hrebiniak & Alutto, 1972; Sheldon, 1971) and citizenship behavior (Organ, 1988; Organ & Konovsky, 1989; Smith, Organ, & Near, 1983), which have been persistently discussed in relation to organizational performance and effectiveness. For example, in their seminal work, Katz and Kahn delineated spontaneous behavior (later reconceptualized as OCB) as "those actions not specified by role prescriptions but which facilitate the accomplishment of *organizational goals*" (1966: 338; italics added). Considering that organizational commitment and OCB are employee attitudes and behaviors directed toward and revolving around the organization, they need to be conceptualized and operationalized as organizational-level constructs.

Relationship Between Corporate Ethics and Collective Organizational Commitment

Employees' organizational commitment is positively related to ethics-related constructs, such as ethical climate (Treviño et al., 1998) and ethical values (Sharma et al., 2009). Extending these individual-level findings, we propose positive organization-level relationships among the three dimensions of corporate ethics and collective organizational commitment. First, as corporate social responsibility (CSR) studies have demonstrated, external ethics contributes to positive relationships between a firm and its external stakeholders, thereby enhancing firm reputation (Roberts & Dowling, 2002). Enhanced reputation assigns prestige and status to the organization as recognized by both internal and external actors. According to social identity theory (Tajfel, 1974), organizational membership affects individual identity and self-concept. This means that members of an organization with high prestige and good reputation are likely to have positive self-concept and organizational attitudes (Ashforth & Mael, 1989). Employees of such an organization strongly value their membership and increase their identification with the organization; thus, they feel pride in their membership and collectively develop commitment and loyalty to the organization (Jacinto & Carvalho, 2009).

Second, internal ethics is expected to associate positively with collective organizational commitment. When a firm adheres to legal and ethical standards, employees perceive internal practices and policies to be fair and transparent; this perception allows them to experience less ambiguity and stress in their tasks. Employees working for organizations

with a high level of internal ethics also tend to perceive their organizations to be procedurally fair with a clear code of ethics (Weaver, 1995). This is because behavioral norms, policies, and procedures communicated within a firm lead to shared perceptions of a climate of fairness or justice (Rupp, Ganapathi, Aguilera, & Williams, 2006; Simons & Roberson, 2003). Thus, when a firm strongly endorses internal ethics, a justice climate emerges, further promoting employees' commitment to the organization, perhaps via the generation of collective social exchange relationships (Gong et al., 2010).

Finally, employee ethics is another predictor of collective organizational commitment. While internal ethics indicates the presence of transparent and fair organizational practices and policies, employee ethics pertains to the integrity and trustworthiness of organizational members. A high level of employee ethics can be found in organizations in which members make morally acceptable judgments and act in an ethical manner. In such a context, based on the perception of the predictability and ethical integrity of other members, employees are likely to develop trusting relationships (Ruppel & Harrington, 2000) among themselves. Such a favorable work atmosphere should be associated with an increased commitment among employees.

Hypothesis 1a: The external ethics dimension of corporate ethics is positively related to collective organizational commitment.

Hypothesis 1b: The internal ethics dimension of corporate ethics is positively related to collective organizational commitment.

Hypothesis 1c: The employee ethics dimension of corporate ethics is positively related to collective organizational commitment.

Relationship Between Collective Organizational Commitment and Collective OCB

When employees demonstrate a high level of organizational commitment, they are more willing to make extra contributions to their firm and extend their efforts beyond their duty (Podsakoff, Mackenzie, Paine, & Bachrach, 2000). Although these findings have been obtained from the individual and group levels of analyses, we expect a similar or even stronger relationship between organizational commitment and OCB at the firm level. Mossholder, Richardson, and Settoon (2011) proposed that helping behaviors arise from three different motives (i.e., equity, equality, and need) and that these different motives are affected by different organizational human resource systems. Human resource systems that increase employees' organizational commitment boost feelings of solidarity and communal sharing that strengthen their prosocial values and affective bond with other organizational members, thus leading to collective OCB (Mossholder et al., 2011). Moreover, when employees perceive a high level of collective organizational commitment within the firm, they are likely to perform more citizenship behaviors because they know that their extra efforts are not wasted (Gong et al., 2010). This means that the recipients of OCB who are also strongly committed to the organization do not simply remain as "receivers" of others' altruistic and dedicated behaviors; instead of exploiting others' extra contributions, they

become other possible performers of OCB. Such a positive spiral creates a norm of collective engagement of OCB within the firm.

Hypothesis 2: Collective organizational commitment is positively related to collective OCB.

Relationship Between Collective OCB and Firm Financial Performance

The positive relationship between OCB and performance has been well documented in meta-analytic studies (Nielsen, Hrivnak, & Shaw, 2009; Podsakoff et al., 2009). Beyond its effect on individual performance (MacKenzie, Podsakoff, & Fetter, 1993), unit-level OCB is a meaningful predictor of various unit performance measures, such as sales performance, quantity and quality of output, and customer satisfaction (Koys, 2001; Podsakoff et al., 2009). In contrast, the OCB–performance link has yet to be demonstrated at the organizational level. Although empirical investigations on the firm-level relationship between OCB and performance are lacking, employees' collective engagement in OCB are expected to be positively related to firm performance for several reasons (Podsakoff et al., 2000). First, collective engagement in collaboration and loyal efforts toward organizational goals should enhance organizational productivity through efficient allocation of employee capabilities (Connelley & Folger, 2004). According to Mossholder et al. (2011), OCB is often performed on the basis of the work-related needs of coworkers, thereby effectively optimizing resource allocation and improving firm performance. Second, collective displays of supportive behavior among employees are likely to be associated with the elevated reputation of the organization, thereby attracting and retaining more talented individuals. Third, collective discretionary efforts by employees help the organization adapt smoothly to environmental changes that are deemed crucial for maintaining or heightening organizational performance in today's dynamic business environment. Finally, the prevalence of collective OCB among employees should be related to increased firm performance through a mutually supportive and trusting climate characterized by a positive spiral of discretionary, altruistic contributions, and improved interunit coordination toward the collective achievement of organizational goals (Gong et al., 2010).

Despite the prevailing arguments and meta-analytic findings supporting the positive relationship between OCB and performance (Podsakoff et al., 2009), there is a counterargument often based on the resource allocation framework (Becker, 1965). Due to limited resources, a high level of OCB might distract individuals from focusing on their own tasks, thus reducing their performance (Bergeron, 2007). Drawing on this speculation, a recent study reports that a high level of OCB in groups with low task interdependence can be detrimental to group performance (Nielsen, Bachrach, Sundstrom, & Halfhill, 2012). However, this argument might be inapplicable to the OCB–performance relationship at the firm level in that firms are highly coordinated systems of complex and interdependent relations among employees and work units (Williamson, 1975). Although a high level of OCB conducted by an individual or a group can lower the performance of the individual or the group (i.e., local suboptimization), collective OCB among individuals and groups at the firm level can actually materialize into efficient resource allocation and effective functioning of the entire

organization (i.e., global optimization). In line with this argument, scholars have maintained that employees' behavioral flexibility (Bhattacharya, Gibson, & Doty, 2005) and frequent demonstration of dedicated behavior (Bowen & Ostroff, 2004) can promote firm performance. Thus, collective OCB is less prone to the potential negative effect at the firm level and can be positively associated with firm performance by optimizing (rather than exhausting) resource allocation within the organization.

Hypothesis 3: Collective OCB is positively related to firm financial performance.

Mediating Effects of Collective Organizational Commitment and OCB

Combining the aforementioned hypotheses that delineate direct relationships among corporate ethics, collective organizational commitment, collective OCB, and firm performance, we propose that collective organizational commitment and OCB mediate the link between corporate ethics and firm performance. As described above, the overall structure of this mediated relationship draws on institutional theory (Scott, 1995) that reflects the theoretical propositions of the context-attitude-behavior framework (Martin & Cullen, 2006) and the strategic human resource management literature (Becker et al., 1997; Combs et al., 2006). In sum, a firm's external, internal, and employee ethics should positively connect to the affective organizational commitment of its employees (Tsai & Huang, 2008), which is positively related to collective OCB (Mossholder et al., 2011). Furthermore, when OCB is driven by commitment, collective OCB tends to facilitate efficient resource allocation because it addresses the need of other members and the organization (Connelley & Folger, 2004). Therefore, as depicted in Figure 1, a mediated relationship is proposed between three dimensions of corporate ethics, and a firm's financial performance is explained by employee attitudes and behavior.

Hypothesis 4: Collective organizational commitment and OCB mediate the relationship between the three dimensions of corporate ethics and firm financial performance.

Method

Sample and Data Collection Procedure

Our data were drawn from a large-scale survey administered by the Korea Research Institute for Vocational Education and Training (KRIVET), a public agency in Korea, in July 2008. KRIVET sampled 401 private companies in Korea through stratified sampling based on firm size, location, and industry. Of the 401 sampled companies, 263 agreed to participate in the study (response rate = 65.6%). Trained employees of KRIVET visited each company, distributed the questionnaires, and collected them upon completion. All respondents were full-time employees who voluntarily participated in the survey.

Initial data consisted of 6,053 full-time employees and 247 senior executives of the 263 companies. To enhance the representativeness of the sample at the organization level

of analysis, companies whose financial performance data were unavailable and those with fewer than 10 respondents were excluded. This screening procedure reduced our sample to 4,320 employees of 147 companies. Finally, as discussed in the following, firms that exhibited poor psychometric properties in aggregating employee responses to the firm level were also excluded. This resulted in the final sample of 3,821 employees from 130 companies. To test whether or not there were any systematic differences between our final sample and dropouts, t tests were conducted for the two samples. Results indicate no significant differences in terms of the study variables and demographic profiles.

The median organization size of the companies in the final sample was 378 employees. Compared with previous organization-level studies (e.g., Giberson, Resick, & Dickson, 2005; Subramony, Krause, Norton, & Burns, 2008), the present study was based on a large number of participants per organization, with an average of 29 employees representing each company. The final sample included 31% women with an average age of 33 years ($SD = 7.2$) and an average organizational tenure of 8.1 years ($SD = 6.8$). The participants represented various positions, including rank-and-file employees (42%), first-level supervisors (12%), managers (21%), senior managers (22%), and division managers (3%). Data on financial performance were obtained from the annual financial statements published at the end of 2008 (six months after the completion of the employee survey).

Method Variance Reduction by Split-Group Design

To reduce potential method biases due to same-source variance in aggregated data (Podsakoff, MacKenzie, Lee, & Podsakoff, 2003), we adapted the split-group design as recommended by Ostroff, Kinicki, and Clark (2002). Accordingly, employees within the same company were randomly divided into two equal-sized subgroups (i.e., Subgroups A and B). Thus, each of the two subgroups from the same company had 15 employees on average. Employees in Subgroup A provided data on corporate ethics; those in Subgroup B offered data on collective organizational commitment and OCB.

Measures

All analyses were conducted at the firm level, and all items were measured on a Likert-type scale ranging from 1 (*strongly disagree*) to 5 (*strongly agree*). To justify the aggregation of employee responses to the organization level, a set of psychometric properties was assessed, that is, $r_{wg(j)}$, ICC(1), and ICC(2) (Bliese, 2000; James, Demaree, & Wolf, 1984). Under the assumption of a rectangular null distribution, 17 of the initial sample consisting of 147 firms showed $r_{wg(j)}$ scores lower than .50 in one or more study variables; thus, these were excluded from the sample (leading to the final sample of 130 firms). As a result, all measures demonstrated sufficient levels of within-firm agreement. Specifically, the mean, minimum, and maximum values of $r_{wg(j)}$ scores for all study variables exceeded .80, .54, and .93, respectively, suggesting a sufficient level of agreement in employee responses within a firm (LeBreton & Senter, 2008). Moreover, considering the possible response tendencies of

employees to evaluate their own firms generously, we used the assumption of a negatively skewed distribution as null hypotheses for computing $r_{wg(j)}$. Yet, even in this case, mean $r_{wg(j)}$ scores of all but one variable exceeded .7 (for OCB-O, mean $r_{wg(j)}$ was .67). Finally, for all study variables, the ICC(1) and ICC(2) coefficients were acceptable and statistically significant (all $p < .001$).

External ethics (Subgroup A). To assess external ethics, we used two items derived from the caring climate scale of Victor and Cullen (1988) and the community-focused climate scale of Treviño et al. (1998), firm-level $\alpha = .98$, $r_{wg(j)} = .83$, ICC(1) = .28, ICC(2) = .85. The two items were “Our company participates in public welfare projects” and “Our company helps in the resolution of social problems.”

Internal ethics (Subgroup A). We measured employees’ perceptions of internal ethics using four items adapted from the law and code climate scale of Victor and Cullen (1988) and the law and professional code climate scale of Treviño et al. (1998), firm-level $\alpha = .89$, $r_{wg(j)} = .84$, ICC(1) = .13, ICC(2) = .69. Sample items were “In our company, people are expected to comply with the law and professional standards over and above other considerations” and “Our company values ethical principles more than economic performance.”

Employee ethics (Subgroup A). Employee ethics was assessed by adapting three items from the independence climate scale of Victor and Cullen (1988) and the personal ethics climate scale of Treviño et al. (1998), firm-level $\alpha = .80$, $r_{wg(j)} = .83$, ICC(1) = .16, ICC(2) = .73. Samples of the employee ethics scale included “In our company, people are guided by their own personal ethics” and “Employees in our company behave according to their personal moral faith.”

Organizational commitment (Subgroup B). Organizational commitment was measured using three items adapted from the affective commitment scale developed by Meyer and Allen (1984), firm-level $\alpha = .88$, $r_{wg(j)} = .81$, ICC(1) = .09, ICC(2) = .59. Sample items were “I feel a strong sense of belongingness to my organization” and “I really feel as if this organization’s problems are my own.”

OCB-I and OCB-O (Subgroup B). To assess OCB-I, three items used in previous studies were adapted (Podsakoff, MacKenzie, Moorman, & Fetter, 1990; Williams & Anderson, 1991), firm-level $\alpha = .87$, $r_{wg(j)} = .85$, ICC(1) = .10, ICC(2) = .61. Examples of OCB-I items were “I help others who have heavy workloads” and “I help orient new employees even though it is not required.” OCB-O was measured by employing two items from Podsakoff et al.’s (1990) and Williams and Anderson’s (1991) scales, firm-level $\alpha = .80$, $r_{wg(j)} = .84$, ICC(1) = .06, ICC(2) = .50. The two items were “I save and protect my company’s property” and “I comply with company rules and regulations even when no one is watching.”

Financial performance. Financial performance was measured by dividing operating profit by total asset. This measure is similar to return on asset (ROA) often utilized as a measure of firm financial performance (Penman, 1991; Venkatraman & Ramanujam, 1986).

However, unlike ROA, which uses a firm's net income as the numerator, we utilized operating profit as the numerator. Given that the operating profit indicates "profit after controllable expenses" (Koys, 2001, p. 108), it reflects a firm's performance more accurately than ROA does (cf. Bunderson & Sutcliffe, 2003).

Control variables. Firm performance can be explained by a myriad of factors (Misangyi, Elms, Greckhamer, & LePine, 2006). To consider the effects of plausible predictors of firm performance, we included a number of control variables in our analyses. First, firm size was used as a control variable to consider the tendency of larger firms to achieve better performance (cf. economies of scale). Firm size was computed by taking the logarithm of the number of each firm's employees because the effect of firm size on financial performance might be nonlinear and the same amount of increase in size could have a greater influence on performance when firms are small (Subramaniam & Youndt, 2005). Second, to control for the effects of firms' financial structures and slack resources, the following are included: debt-to-equity ratio and the proportion of cash and cash equivalents in firms' total assets, respectively. Third, industry dummies were created and utilized, thus comprising another set of control variables (Longenecker, Moore, Petty, Palich, & McKinney, 2006). Industry was classified into five categories (i.e., manufacturing, financial service, services, construction, and others), and four dummy variables were generated. Finally, to control for the effects of firm strategies, the senior executives were asked regarding the extent to which their firms emphasize innovativeness (e.g., employee creativity and innovative product development) and efficiency (e.g., employee obedience and conformity to rules and standard procedures). Based on their responses, two dummy variables were generated (one for each strategic orientation) by a median split to assess the extent to which the firm strategy is oriented toward innovativeness and efficiency. In summary, the effects of nine control variables were examined in our analyses.

Results

To assess the discriminant validity of the three dimensions of corporate ethics and the three mediating variables (i.e., collective organizational commitment, OCB-I, and OCB-O), a confirmatory factor analysis was conducted with maximum likelihood estimation. The hypothesized six-factor model yielded an acceptable fit to the data, $\chi^2(104) = 197.17, p < .001$, comparative fit index (CFI) = .95, root mean square error of approximation (RMSEA) = .083. The hypothesized six-factor structure also demonstrated better fit than any of the alternative five-factor solutions (e.g., combining internal ethics and employee ethics as a single factor or combining OCB-I and OCB-O as a single factor; see Table 1). Results of the confirmatory factor analysis support the empirical distinctiveness of the six employee-reported variables. Table 2 presents the descriptive statistics and intercorrelations among all study variables and control variables.

Comparison of the Hypothesized Model and Alternative Models

Our theoretical propositions were tested using structural equation modeling (SEM) because it allowed an omnibus test of multistep predictive relationships among latent constructs while considering their measurement errors. One potential concern in performing

Table 1
Results of Confirmatory Factor Analysis and Chi-Square Difference Tests

CFA Models	χ^2	df	CFI	RMSEA	$\Delta\chi^2$	p Value of χ^2
Model 0: Hypothesized six-factor model	197.17	104	.95	.083	–	
Model 1: Five-factor Model 1 (combining external and internal ethics)	397.00	109	.84	.143	199.83	< .001
Model 2: Five-factor Model 2 (combining internal and employee ethics)	256.39	109	.92	.102	59.22	< .001
Model 3: Five-factor Model 3 (combining OCB-I and OCB-O)	262.35	109	.91	.104	65.18	< .001
Model 4: Five-factor Model 4 (combining organizational commitment and OCB-O)	245.12	109	.92	.098	47.95	< .001

Note: CFA = confirmatory factor analysis; CFI = comparative fit index; RMSEA = root mean square error of approximation; OCB-I = interpersonally directed organizational citizenship behavior; OCB-O = organizationally directed organizational citizenship behavior.

Table 2
Descriptive Statistics and Intercorrelations

Firm-Level Variables	M	SD	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1. Firm size	6.02	1.54	–														
2. Debt-to-equity ratio	1.35	17.68	-.13	–													
3. Cash-per-asset ratio	0.07	0.09	-.03	-.08	–												
4. Industry dummy: manufacturing	0.48	0.50	.17	-.17	-.30	–											
5. Industry dummy: financial service	0.15	0.35	.01	.13	.25	-.40	–										
6. Industry dummy: service	0.11	0.31	-.12	.11	.11	-.34	-.14	–									
7. Industry dummy: construction	.05	.23	-.09	.02	-.05	-.23	-.10	-.08	–								
8. Firm strategy dummy: innovativeness	0.45	0.50	.03	-.07	-.20	.18	-.07	-.06	-.15	–							
9. Firm strategy dummy: efficiency	0.39	0.49	.05	-.07	.01	-.12	.16	-.08	.02	.14	–						
10. External ethics	3.24	0.49	.45	.04	.10	.02	.15	-.03	-.06	.10	.01	–					
11. Internal ethics	3.37	0.29	.26	.06	.25	-.03	.26	.03	-.06	.13	.05	.69	–				
12. Employee ethics	3.56	0.30	.35	-.02	.07	-.03	.30	-.06	-.08	.09	.15	.50	.69	–			
13. Organizational commitment	3.52	0.28	.11	-.02	.15	-.04	.19	-.05	.05	.01	.13	.41	.51	.43	–		
14. OCB-I	3.63	0.24	.16	-.02	.16	-.11	.18	.08	-.09	.12	.12	.30	.40	.38	.61	–	
15. OCB-O	3.92	0.23	.26	-.05	.11	-.07	.22	-.11	.05	.01	.22	.41	.50	.48	.62	.60	–
16. Financial performance	0.05	0.09	.08	-.17	.01	.11	-.09	.01	-.13	.03	.06	.15	.06	.06	.17	.18	.09

Note: N = 130. OCB-I = interpersonally directed organizational citizenship behavior; OCB-O = organizationally directed organizational citizenship behavior.

$r > .18, p < .05$. $r > .23, p < .01$. $r > .29, p < .001$.

Table 3
Comparison of Alternative Structural Models

Structural Models	χ^2	<i>df</i>	CFI	TLI	RMSEA	AIC
Model 0: Hypothesized structural model	235.85	126	.94	.92	.082	325.85
Model 1: Direct effects of corporate ethics on OCB-I and OCB-O	226.21	120	.94	.92	.083	328.21
Model 2: Direct effects of corporate ethics on financial performance	233.28	123	.94	.92	.083	329.28
Model 3: Direct effects of organizational commitment on financial performance	234.41	125	.94	.92	.082	326.41
Model 4: Reverse causality (financial performance predicting corporate ethics)	420.16	122	.83	.79	.138	518.16
Model 5: Switching the data source	257.87	126	.92	.91	.090	347.87

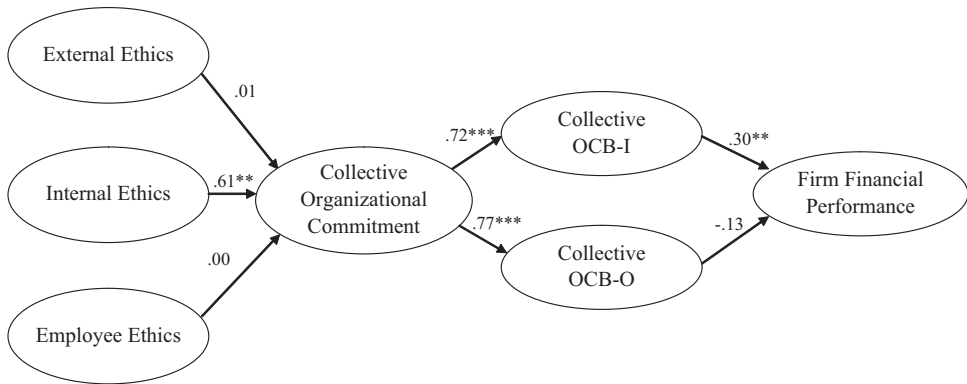
Note: CFI = comparative fit index; TLI = Tucker-Lewis index; RMSEA = root mean square error of approximation; AIC = Akaike information criterion; OCB-I = interpersonally directed organizational citizenship behavior; OCB-O = organizationally directed organizational citizenship behavior.

SEM analyses in the present context was the modest sample size at the firm level ($n = 130$). Nevitt and Hancock (2004) demonstrate that SEM provides robust parameter estimates with small samples (even at $n \leq 50$) if the subject-to-parameter ratio is over 2:1. Given that the ratio for the present study exceeded 2:8, the sample size for our firm-level analyses might not pose a serious problem.

In testing the hypothesized structural relations among constructs, the effects of firm size, debt-to-equity and cash-to-asset ratios, industry types, and firm strategies were all controlled by adding direct paths from their indicators to the firm performance measure. The overall pattern and statistical significance of the findings remained exactly the same with or without these control variables in the model. In fact, all of the paths involving these control variables were nonsignificant. According to Becker (2005) and Spector and Brannick (2011), the inclusion of nonsignificant (or meaningless) control variables might be unnecessary and even undesirable because it can reduce statistical power or distort the relationships among the main study variables. Thus, in the subsequent SEM analyses, the control variables were not included, and the results of the structural models without the control variables were reported.

A structural model with all the hypothesized relations among the study variables exhibited a modest fit to the data, $\chi^2(126) = 235.85$, $p < .001$, CFI = .94, RMSEA = .082. To verify the possibility that a theoretically plausible alternative model can better explain the present data, we compared several alternative models against the hypothesized model, as reported in Table 3. The first two alternative models (i.e., Models 1 and 2) examined the possibility that the three facets of corporate ethics have direct relationships with collective OCB and firm financial performance. Model 3 examined the direct relationship between collective commitment and firm performance. Although these three alternative models yielded an acceptable fit, most of the direct paths added to the model were not significant and failed to improve the model fit (for all three chi-square difference tests, $p > .10$). These patterns suggest that the additional paths are unnecessary in explaining the relationships among the study variables. The lowest Akaike information criterion (AIC) associated with the hypothesized model also indicates that it offers the most parsimonious explanation of the observed pattern in the data.

Figure 2
Results of Structural Equation Modeling



Note: OCB-I = interpersonally directed organizational citizenship behavior; OCB-O = organizationally directed organizational citizenship behavior.

** $p < .01$. *** $p < .001$.

In this study, financial performance data were based on each company's financial statements as reported six months after survey administration. Although this design reduces the concerns about reverse causality, previous studies have indicated the possibility that financial performance or slack resources predict CSR and ethical management rather than the other way around (Orlitzky et al., 2003). This possibility was tested in Model 4, in which financial performance predicted corporate ethics, leading to enhanced employee attitudes and behaviors. This reverse-causality model yielded an unacceptable fit to the data, supporting the causal direction hypothesized in our framework.

The robustness of our analyses was further assessed by testing the same structural model after switching the sources of data (Model 5). In this model, we used Subgroup A as the source of organizational commitment, OCB-I, and OCB-O, and Subgroup B as the source of the three dimensions of corporate ethics. The model with switched data sources exhibited a slight decrease in model fit, but the results remained the same as those observed in the hypothesized model. Furthermore, our structural analyses were also conducted using the full sample (not the split sample) for corporate ethics, collective organizational commitment, and OCB. Once again, the results remained the same as those based on the split-sample analyses. Therefore, the hypothesized model was adopted as the best-fitting model. The results are presented in Figure 2, with standardized path coefficients.

Hypotheses Test

Hypotheses 1a, 1b, and 1c propose positive relationships among the three dimensions of corporate ethics and employees' collective organizational commitment. As shown in Figure 2,

of the three corporate ethics dimensions, only the path from internal ethics to organizational commitment was significant ($\beta = .61, p < .01$). Therefore, only Hypothesis 1b was supported. However, considering the high correlations among the three dimensions of corporate ethics and their high zero-order correlations with organizational commitment, the dominant effect of internal ethics may have suppressed the relationships between the other dimensions and commitment. To explore this possibility, we removed the path from internal ethics to organizational commitment. In the absence of internal ethics, external and employee ethics became significant predictors of collective organizational commitment ($\beta = .25$ and $.38$, respectively, both $p < .01$). Taken together, these findings suggest that internal ethics is a stronger predictor of collective organizational commitment than are external and employee ethics.

Hypothesis 2 postulates a positive association between collective organizational commitment and OCB. As expected, employees' collective organizational commitment was positively related to their OCB-I ($\beta = .72, p < .001$) and OCB-O ($\beta = .77, p < .001$), providing support for Hypothesis 2.

Hypothesis 3 posits a positive relationship between employees' collective OCB and firm performance. The results show that only OCB-I had a significant, positive association with firm financial performance ($\beta = .30, p < .01$). The path from OCB-O to financial performance was not significant ($\beta = -.13, ns$). Therefore, Hypothesis 3 was partially supported.

Finally, Hypothesis 4 proposes that collective organizational commitment and OCB mediate the relationship between corporate ethics and firm financial performance. To test this hypothesis, we followed the steps suggested by Mathieu, DeShon, and Bergh (2008). First, we examined the direct relationships among the three corporate ethics dimensions and financial performance. However, none of the three ethics–performance relationships was statistically significant ($ps > .10$). Thus, because the notion of mediation hinges on the direct effects of the predictor variables on the outcome measure, Hypothesis 4 was not supported.

Despite the lack of the direct effects, and thus the rejection of the mediation hypothesis, the SEM results depicted in Figure 2 provided support for Hypotheses 1b, 2, and 3, which comprise the underlying steps linking corporate ethics to firm performance. Given this pattern, there still remains the possibility of an indirect relationship between corporate ethics and firm performance, with employee commitment and behavior operating as an intervening (not mediating) process (Mathieu & Taylor, 2006). Thus, we tested the potential indirect effects of corporate ethics. This follow-up analysis identified the significant indirect effects of internal ethics on firm financial performance through collective organizational commitment (Sobel $z = 1.65, p < .10$) and OCB-I (Sobel $z = 2.12, p < .05$). Although collective commitment and OCB failed to mediate the ethics–firm performance relationship, they functioned as meaningful intervening processes linking internal ethics to firm performance.

Discussion

Despite the increasing importance of corporate ethics, relatively little is known about the mechanisms through which corporate ethics relates to firm performance (Orlitzky et al., 2003). Previous studies exploring the processes between corporate ethics and firm performance have mostly employed externally oriented perspectives, focusing on the firm's

reputation or relationships with external stakeholders (Hosmer, 1994; Long & Driscoll, 2008; Luo & Bhattacharya, 2006; Roberts & Dowling, 2002). In contrast, little attention has been paid to what occurs “inside” the firm in relation to corporate ethics, which would translate firm ethicality into firm performance. The present study contributes to the literature by revealing the firm-level relationships among corporate ethics, employees’ collective organizational commitment, and OCB, as well as firm financial performance, for the first time. Although we did not detect a direct linkage between corporate ethics and firm performance, we found that the employees’ collective organizational commitment and OCB-I operated as meaningful intervening processes between internal ethics and firm financial performance.

Drawing on institutional theory (Scott, 1995), the present research was premised on the idea that macro-organizational phenomena occurring at the firm level can unfold through microlevel processes, such as employees’ collective attitudes or behaviors (Staw, 1991). Our results supported the idea, highlighting the importance of firms’ human resources as the bridge between corporate ethics and firm performance (Becker et al., 1997). In this section, we highlight the implications of the present study along with the directions for further research.

Of the three dimensions of corporate ethics, internal ethics is most strongly related to employees’ collective organizational commitment. When employees perceive that their organization adheres to legal and ethical standards, they become more committed to their organization. Endorsement of ethical principles reduces ambiguity with regard to the roles and behaviors of employees; this offers employees a clear sense of what is expected of them and how they should behave within the organization (Weaver, 1995). Furthermore, internal ethics fosters a justice climate within the firm, thereby causing employees to feel greater commitment to their workplace (Schwepker, 2001). However, the present findings should not be interpreted as evidence of inconsequential roles of the other two dimensions of corporate ethics (i.e., external and employee ethics). Although internal ethics is the strongest predictor of employees’ commitment, external and employee ethics also have positive and significant relationships with collective commitment.

In our data, employees’ heightened organizational commitment was positively related to both types of their OCB. Although this finding reflects those of previous studies of OCB (Jacinto & Carvalho, 2009), note that the present study empirically demonstrates the commitment–OCB relationship at the firm level, which has been lacking in OCB literature dominated by the individual- and group-level studies.

The results also indicate a significant firm-level relationship between collective OCB-I and performance, along with an insignificant role of collective OCB-O. This pattern is consistent with extant empirical findings stating that unit-level performance has a consistent relationship with interpersonal helping but not with other OCB dimensions (Podsakoff et al., 2009). Researchers have argued that OCB-I is more important and relevant in predicting work unit outcomes than other forms of OCB, because OCB-I involves intermember dynamics, such as interpersonal helping and support, pertinent to collective outcomes (Shin & Choi, 2010). Although OCB might deteriorate the performance of individual employees (Bergeron, 2007) or work groups (Nielsen et al., 2012, firm-level helping and support among employees benefit the firm by optimizing resource allocation and facilitating

interunit coordination. The empirical demonstration of the OCB–performance link at the firm level using an objective measure of firm performance constitutes a meaningful contribution to the OCB literature, where literally hundreds of studies have indicated the OCB–performance link at the individual and group levels but not at the organizational level (Podsakoff et al., 2009).

One noteworthy observation is that the relationship between corporate ethics and firm performance is indirect. In emerging markets such as Korea, the firms' objectives and strategies tend to be directed toward maximizing profit and efficiency rather than running business ethically. Given that corporate ethics and managerial transparency are deemed less important in developing countries with shorter histories of economic development than in developed ones (Blackburn, Bose, & Haque, 2006), the direct connection between corporate ethics and firm performance might be weak in the emerging economy (Sandholtz & Koetzle, 2000). Given the lack of studies on corporate ethics conducted with the samples drawn from emerging markets, this speculation must be examined by future empirical studies. In the current research, although corporate ethics was not directly related to firm performance, employees indeed responded positively to corporate ethics in terms of their organizational attitudes and workplace behaviors, ultimately enhancing firm financial performance. This pattern is in accordance with the basic tenet of institutional theory stating that institutional context changes organizational outcomes by shaping members' cognition and behavior (Scott, 1995), as well as the empirical findings that demonstrate how such a mediating role of microprocesses bridge the link between macrovariables (Choi & Chang, 2009).

Practical Implications

In the practical viewpoint, being ethical can be beneficial to firms, making it a worthwhile endeavor. Although it can involve multistep processes and its consequences might not be immediately noticed, firms with a high degree of internal ethics can achieve better financial performance through their employees' collective commitment and OCB. It is apparent that employees' strong commitment to their organization and OCB bring a host of benefits to the workplace (Meyer, Stanley, Herscovitch, & Topolnytsky, 2002; Podsakoff et al., 2000). Therefore, top managers should not overlook the importance of ethical management and be aware that being ethical can indeed pay off.

Given the finding that internal ethics is the strongest predictor of collective commitment, firms may best benefit from directing their ethical efforts toward promoting internal ethics. In this regard, managers can attempt to facilitate their internal ethical functioning through diverse routes, such as establishing a code of ethics and guidelines in accordance with the legal and professional standards (Thomas, Schermerhorn, & Dienhart, 2004). Furthermore, human resource practices (e.g., ethics training, incentivizing ethical behaviors) can be implemented to bolster internal ethics and enforce ethical operation. Schwartz, Dunfee, and Kline (2005) argue that simply meeting legal obligations might be insufficient because it does not allow firms to adapt to rapidly changing legal environments and to intensifying public scrutiny. These authors state that firms should reflect comprehensive ethical responsibility in their guidelines for decision making, particularly at the top echelon. To achieve this

objective, a firm's board of directors can perform a critical role by establishing a code of ethics, thus shaping the ethical tone by demonstrating examples and actions.

Study Limitations and Directions for Future Research

Despite the aforementioned implications, this study has some limitations. First, the causality of our findings is not definite. The dependent variable was measured six months after the measurement of the independent and mediating variables. Nevertheless, firms' financial data were partly based on their performance prior to the survey, and there is no way to ascertain that the independent and mediating variables temporally preceded the performance measure. Although our analysis of the alternative reverse causality indicated that the hypothesized causal sequence provided the best fit to the data (Table 3), future research must establish stronger causality by employing a longitudinal design.

Second, the lack of a significant relationship between collective OCB-O and firm performance could be due to the relatively narrow behavioral domain. The present measure of OCB-O consists of two items that assess the compliance dimension of OCB. Considering that OCB-O includes other more proactive dimensions, such as task dedication and initiative (Podsakoff et al., 2000), OCB-O might have turned out to be a significant predictor of firm performance if it had been operationalized as a broader construct covering the proactive dimensions. Thus, the use of a more comprehensive measure of various forms of OCB is recommended in future studies.

Third, because our sample was drawn from Korean companies, the generalization of our findings beyond the Korean culture should be made with caution (Arnold, Bernardi, Neidermeyer, & Schmee, 2007). As noted above, the relationship between corporate ethics and firm performance might be stronger in Western countries, where a heavier emphasis is placed on CSR, ethical management, and managerial transparency. Thus, the lack of direct connection between corporate ethics and firm performance might have resulted from the national setting of the present study. On the other hand, the highly significant association between internal ethics and collective organizational commitment could reflect the collectivistic culture of Korea, in which individuals are more responsive to their contexts (Nisbett, 2003). Perhaps, for Western employees who have been socialized in an individualistic culture, their personal identities and individual self-definitions are more salient; thus, their attitudes and behaviors may be less affected by firm characteristics (Hofstede, 1980). Given these cultural implications, the findings of the current study should be replicated in other cultural and national setting.

Finally, complementing the existing focus on the external implications of corporate ethics, our focus lies on internal collective processes, and valuable insights overlooked in the literature are offered. Nevertheless, similar to previous studies examining only the external ramifications of corporate ethics, the present study has an inherent limitation due to its internal focus. A complete theoretical framework should include multiple dimensions of corporate ethics, along with multiple intermediate processes that would cover both the internal and external processes as well as diverse outcomes that can result from the processes. For example, external ethics might enhance the public's image of the firm, which

positively affects its market share. In contrast, internal ethics can promote the internal dynamics of employees, which improves operating efficiency and productivity of the firm. Therefore, future works could be directed at developing and testing a comprehensive theoretical framework that considers the complexity and multifaceted nature of the ethics–performance link.

Despite these potential limitations, the current study offers significant theoretical insights and empirical contributions related to the firm-level dynamics of corporate ethics. Moving beyond the prevailing black-box approach or external perspective in accounting for the ethics–firm performance relationship, this study highlights the significance of internal collective processes linking corporate ethics to firm performance. The intriguing interplay of macrophenomena (i.e., corporate ethics and firm performance) and aggregated microprocesses (i.e., employee commitment and OCB) observed in this study implies the potential of meaningful integration and feedback processes between organizational- and individual-level dynamics. What can be inferred from the present analyses is that a firm's ethical characteristics can contribute to its bottom line through employee attitude and behavior. Therefore, without the operation of employee collective commitment and OCB, the firm's ethical activities might not affect its bottom line. With this insight, practicing managers must recognize that it is their employees who can translate the firm's ethical endeavors into financial performance.

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