



How do Sector Level Factors Influence Trust Violations in Not-for-Profit Organizations? A Multilevel Model

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Abstract

The proliferation of violations within industry sectors (e.g., banking, doping in sport, abuse in religious organizations) highlights how trust violations can thrive in particular sectors. However, scant research examines how macro institutional factors influence micro level trustworthy conduct. To shed light on how sectoral features may influence trust violations in organizations, we adopt a multilevel perspective to investigate the perceived causes of trust violations within the not-for-profit (NFP) sector, a sector that has witnessed a number of high-profile trust breaches. Drawing on interviews with board members and senior executives of NFPs with cross-sectoral experience, we analyze the causes of trust violations to inductively develop a conceptual model of the multilevel factors contributing to trust violations in NFPs. Our model highlights how trust violations have their roots in sectoral-level factors, which trickle-down to influence the ethical infrastructure at the organizational-level, and in turn individual-level factors and violations. We identify how three NFP sectoral features influence trustworthy behavior: corporatization, resource scarcity, and assumed moral integrity. Our findings speak to the importance of looking beyond the organization to understand both the causes and prevention of trust violations and developing the concept of sector-level ethical infrastructure.

Keywords Trust violations · Ethical infrastructure · Organizational trust · Not-for-profit · Non-profit governance · Moral integrity · Multilevel

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Reports of widespread trust violations in organizations—incidents or actions that violate commonly accepted moral or ethical principles, or fail to uphold reasonable standards of competence, integrity, or care in the treatment of stakeholders (Gillespie & Dietz, 2009; Kramer & Lewicki, 2010)—have become commonplace. In the past two decades, we have witnessed a proliferation of trust violations within industry sectors, including financial misconduct and cheating in the banking and financial sector, doping in elite sport, abuse in church organizations, and sexual misconduct in the entertainment industry. Scholars have noted that untrustworthy and unethical behavior appears to thrive and spread in particular industries (Ashforth et al., 2008; Greve et al., 2010), and empirical research has shown that membership in certain industry sectors increases the likelihood that an organization will engage in illegal activity (Baucus & Near, 1991). These observations highlight the need to understand sector level causes and contributors to organizational trust violations (Siebert et al., 2015): as Ashforth

and colleagues (2008: p. 674) state, “we must look beyond individual organizations”.

However, to date, empirical research has focused on antecedents at the individual, group, or organizational levels, rarely examining the role played by ‘macro’ industry or sector-level influences on trust violations. This is evident in recent reviews and meta-analyses of the literature (e.g., Kish-Gephart et al., 2010; Park et al., 2022; Trevino et al., 2014). This oversight reflects an implicit assumption that the causes of trust violations occur largely within the boundaries of the organization (Siebert et al., 2015). This approach fails to consider how violations in organizations are contextually embedded in and shaped by broader field-level institutions, and the dynamic interplay that occurs between levels (Siebert et al., 2015; Treviño et al., 2014). This problem partly reflects the heavy reliance on experimental paradigms, which fail to adequately capture the real-world contextual complexity of organizations to explain why violations occur (Mitchell et al., 2020). In contrast, broader sociological research has illustrated how sectoral trends such as the marketization of professions (Muzio et al., 2013) and the introduction of new public management in the public sector (Oldenhof et al., 2014) can powerfully influence the practical work and beliefs adopted by individuals in such sectors.

In recognition of this problem, scholars have called for contextualized, multilevel field research examining the complex interplay between institutional (e.g. sector and industry), organizational, group and individual levels in contributing to violations (Ashforth et al., 2008; Chapman et al., 2023; Kish-Gephart et al., 2010; Park et al., 2022; Siebert et al., 2015). We respond to these calls to look ‘beyond the factory gates’ by adopting a multilevel perspective to examine the causes of trust violations, using the not-for-profit (NFP) sector in Australia as the context for our study.

The NFP sector is an important and relevant context in which to examine the multilevel causes of trust violations. First, many NFPs have a core mission to increase inclusiveness and protect the well-being of society’s most vulnerable people. They deliver this mission in ways that cannot be substituted through commercial or government activity. Second, NFPs trade on their trusted reputations; their image as purveyors of good. It is from this reservoir of trust and goodwill that their day-to-day functioning draws: it fuels donations, volunteers, and community engagement (Burt, 2012). For these organizations, integrity is a defining expectation and a non-negotiable resource. As such, trust breaches—and the reputational damage they cause—present an existential threat to the survival of NFPs (Archambeault & Webber, 2018) that can have catastrophic impacts on client services, funding, and levels of donor and volunteer commitment (Archambeault & Webber, 2018; Lin-Hi et al., 2015). Third, the NFP sector may have unique vulnerabilities to trust violations compared to the government and for-profit sectors

(MacDonald et al., 2002). NFPs across the globe are under increasing pressure to deliver a range of social services traditionally delivered by government (Casey, 2016), and to ensure a high proportion of donations and funding is spent on front-line service delivery, rather than on administration (Petrovits et al., 2011). Further, NFPs globally typically experience fewer external regulatory demands (Lin-Hi et al., 2015), and often have unpaid boards and diverse stakeholders with comparatively little power to hold organizations accountable (Cordery & Baskerville, 2011; Greenlee et al., 2007; Leclair, 2018). Finally, recent experimental research shows people penalize non-profit organizations more harshly than commercial organizations for the same trust transgression, as indicated by lower trust post-transgression (Chapman et al., 2021; Hornsey et al., 2021). Combined, these qualities of the NFP sector create a paradox: trustworthy conduct of the sector is unusually pivotal for its survival, and yet there are institutionalized features that may increase the potential for trust to be breached and make trust recovery harder. This makes the NFP sector an ideal ‘extreme’ case (Eisenhardt & Graebner, 2007) for studying the multilevel causes of trust violations.

We do not wish to suggest that trust violations in the NFP sector are greater than in the for-profit sector. But neither can one dismiss the magnitude of the problem. The Association of Certified Fraud Examiners (2022: p. 28) reported that in 2020–2021, 9% of established fraud cases internationally occurred in the NFP sector. Other scandals, such as sexual abuse of children in various church organizations across the globe, and abuse and neglect of the elderly in aged care, have led to high-profile investigations and inquiries (BBC, 2020; Langeland et al., 2015). The international sex scandal that engulfed the UK-based *Oxfam*, led to mass withdrawals of donors (Elgot & McVeigh, 2018). These high-profile cases represent the tip of an iceberg: in 2020–2021, the Australian Charities and Not-for-Profits Commission (ACNC) received over 2000 concerns about activities within the domestic NFP sector (ACNC, 2021).

To advance understanding of the multilevel causes of trust violations in organizations, we conducted an inductive, qualitative field study drawing on interviews with Australian NFP board members and senior executives. We specifically sought senior leaders with cross-sectoral experience—that is experience in the NFP sector and either the for-profit or government sector—as this provides the ability to identify potential sector-specific influences contributing to trust violations in NFPs. These senior figures played a central role in responding to and managing trust violations in a broad range of organizations. We analyzed these leaders’ perspectives on the causes and prevention of trust violations occurring within NFPs to inductively generate a conceptual model. The Australian NFP sector that served as the context of our study represents many of the unique features, pressures and

vulnerabilities that characterize the broader NFP sector (a point we return to in the method section), including offering a diverse mix of services, relying on three major sources of revenue (government funding, user pay services, and donations), and representing global averages in terms of workforce employed and contribution to national GDP.

Our paper contributes to the trust literature in several ways. First, our findings highlight the prominent causal influence sectoral factors are perceived to have on trust violations in NFPs, challenging the pervasive assumption that the causes of violations occur largely within the boundaries of an organization. Our work suggests that the root causes of trust violations in NFPs can arise in the institutional features of the sector, highlighting the need for theory to take seriously sectoral institutional arrangements to understand violations within organizations.

Second, we advance a *multilevel* understanding of the perceived causes of trust violations in NFPs. Our conceptual model examines the interplay of causal factors operating at the sectoral, organizational, and individual level, showing how sectoral factors can ‘trickle down’ to influence organizational and individual factors which increase vulnerability to trust violations. We extend prior macro-focused work conducted in for profit contexts (e.g. Baucus & Near, 1991; Greve et al., 2010; Mishina et al., 2010) by identifying which sectoral features and beliefs within the NFP sector influence trust violations, and importantly, *how* they do so. In so doing, we respond to calls for multilevel models that capture the complex causes of trust breaches and examine the relationships between causal factors across levels (Ashforth et al., 2008; Kish-Gephart et al., 2010).

Third, our work highlights an important disconnect between the perceived causes and prevention of trust violations: we find the root causes reside at the sectoral level, yet preventive measures target only the organizational level. We discuss how this disconnect undermines the effective prevention of violations. Drawing on this insight, we highlight the need to extend the concept of ethical infrastructure (Tenbrunsel et al., 2003) from the organizational to the sectoral level to advance a strategic, sector-wide understanding of the prevention of violations.

Understanding Multilevel Influences on Trust Violations in NFPs

Conceptualizing Trust Violations in Organizations

Trust is commonly defined as the willingness to be vulnerable to the actions of another party or entity (e.g. an employee, an organization) based on positive expectations of the actions or behavior of that party or entity (Mayer et al., 1995; Rousseau et al., 1998). This multilevel definition of

trust is applicable at the individual, group, organizational and institutional levels (Fulmer & Gelfand, 2012; Gillespie et al., 2021; Rousseau et al., 1998; Schoorman et al., 2007). Research supports the view that three key characteristics underlie the perception that another individual, group, organization, or institution is trustworthy: *Ability* (the competencies and characteristics that enable the party to reliably and effectively meet its goals and responsibilities and have influence in a domain), *Benevolence* (a positive orientation and care for the well-being of others), and *Integrity* (consistently adhering to commonly accepted moral and ethical principles, such as honesty and fairness; Colquitt et al., 2007; Gillespie & Dietz, 2009; Mayer et al., 1995). A volume of research shows trust in a variety of entities and at a variety of levels is influenced by perceptions of ability, benevolence and integrity (Fulmer & Gelfand, 2012; Schoorman et al., 2007), and a violation of any of these components can undermine trust (Gillespie & Dietz, 2009).

In line with prior research, we conceptualize a trust violation as an incident or action that violates commonly accepted moral or ethical principles or norms (e.g. by acting in a dishonest, exploitative, unethical, illegal or unsafe way), and/or fails to uphold reasonable standards of competence, benevolence (e.g. duty of care) and integrity in the treatment of stakeholders, resulting in a decline of trust (Gillespie & Dietz, 2009; Kramer & Lewicki, 2010). After a violation, positive expectations about the transgressor’s future behavior are replaced with negative expectations, and individuals become unwilling to expose themselves to further vulnerability (Dirks et al., 2009; Lewicki et al., 1998). Trust violations challenge the viability of the relationship (e.g. between a stakeholder and the organization) because trust acts as an ‘organizing principle’ for managing relationships: a lens for interpreting behavior and making decisions about future cooperation, investment and exchange in the relationship (Dirks et al., 2009; McEvily et al., 2003). When organizations or their agents violate trust, stakeholders often withdraw support and resources, hindering the organization’s chances of success (Gillespie et al., 2014; Kramer & Lewicki, 2010).

Understanding Sectoral Influences on Trust Violations in NFPs

Previous research has examined the causes of violations in organizations, with the large majority conducted within the for-profit sector (Baucus & Baucus, 1997; Baucus & Near, 1991; Gillespie et al., 2014; Mishina et al., 2010; Trevino et al., 2003, 2014). In contrast to the volume of research on individual and organization-level antecedents, this literature has paid comparatively limited attention to how the macro institutional environment and sectoral factors influence trustworthy behavior and has reported inconsistent

findings. By sectoral factors, we mean the institutional conditions, arrangements, beliefs, and norms that commonly characterize a sector: ‘a distinct part or branch of a nation’s economy or society or a sphere of activity’ (Oxford English Dictionary) that can be distinguished by dominant source of income (e.g., non-profit, for-profit and government sectors) or by industry grouping (e.g., retail, health, financial services, agricultural, and education sectors).

The more consistent findings suggest that in for-profit firms, untrustworthy conduct such as illegal behavior is more likely when: resources are scarce or especially plentiful (compared to moderate resource availability), the environment is especially low or highly dynamic, the firm is large, and multiple prior violations have been recorded (Baucus & Near, 1991). Importantly, Baucus and Near (1991) found that membership in certain industries increased the likelihood that a firm would behave illegally. Illegal behavior is also more likely when firms feel pressure to maintain high relative performance (Mishina et al., 2010), and face competitive intensity and financial constraints (Martin et al., 2007). Other studies suggest that for-profit firms are more likely to commit fraud when there are challenging industry conditions (Apostolou et al., 2001), as well as competitive pressure and rapid growth in the industry (Hansen et al., 1996).

Taken together, this research suggests that sector and industry conditions can influence untrustworthy behavior (including bribery, fraud and illegal conduct) in for-profit firms, but provides limited insight on how this occurs. Given the for-profit focus of this work, it also remains unclear *what features and characteristics of the NFP sector* influence trust violations in NFPs, and importantly *how* these sectoral factors influence and inter-relate with organizational and individual level factors to influence untrustworthy behavior. Scholarly literature on non-profits has examined causes specifically within the NFP context (Archambeault & Webber, 2018; Cordery & Baskerville, 2011; Greenlee et al., 2007; Leclair, 2018). We draw on and integrate these two disconnected literatures to propose that the NFP sector is qualitatively different from the for-profit sector and can be considered a unique context that requires a context-specific examination of the multilevel antecedents of trust violations.

First, NFPs may have a distinctive ethical infrastructure. Ethical infrastructure refers to organizational elements that contribute to ethical effectiveness, including the formal (e.g. monitoring systems, sanctions, rewards, ethics codes, ethics programs) and informal systems (e.g. ethical climate and culture) that support them (Tenbrunsel et al., 2003; Trevino et al., 2006). This mirrors the concept of trustworthy organizational infrastructure and design in the trust literature (Gillespie & Dietz, 2009; Hurley et al., 2013). In relation to formal systems, NFPs are often subject to weaker governance and regulatory

structures than the for-profit sector, with boards that have less power to hold the organization accountable (Cordery & Baskerville, 2011; Greenlee et al., 2007; Leclair, 2018). NFPs often lack internal controls and processes to monitor employee behavior and performance (Petrovits et al., 2011) and experience fewer regulatory checks relative to for-profit organizations (Lin-Hi et al., 2015; MacDonald et al., 2002).

There is also evidence that the informal ethical culture and climates of NFPs may be distinctive. Ethical climates signal what behaviors are ethical and acceptable in an organization (Victor & Cullen, 1987) and, once internalized by organizational members, are used to inform and adjust behavior accordingly (Tenbrunsel et al., 2003). While there are inconsistent results in the literature, some prior work suggests there are differences in the ethical climates of NFPs and for-profits, with leaders of NFPs more strongly endorsing values of social responsibility and benevolence (Brower & Shrader, 2000) and self-transcendent values (Egri & Herman, 2000), and less strongly endorsing values of egoism (Brower & Shrader, 2000). The ethical cultures of NFPs may also differ from for-profit firms given their central social mission: they exist first and foremost to achieve a social mission. In line with this view, Helmig et al. (2015) found that the value-orientations of hospitals varied depending on their ownership as public, private for-profit, or private NFP.

Second, there is evidence that NFPs may be held to a higher moral standard than other types of organizations (Chen, 2015; MacDonald et al., 2002). Recent experimental research found the same transgressions trigger greater loss of trust from consumers when committed by non-profits compared to commercial organizations (Chapman et al., 2021; Hornsey et al., 2021). This effect occurred through a process of moral disillusionment: transgressions triggered greater violation of moral expectations when committed by non-profits. This expectation of higher moral standards may result in conduct—that is condoned in a commercial context—being perceived as a trust transgression in an NFP context. Indeed, NFPs frequently fall victim to so-called “soft corruptions” that are not illegal, but also not considered right for organizations that are mission oriented (Leclair, 2018).

In sum, there are good reasons to view the NFP sector as a unique ethical context with its own distinct features that may influence the occurrence of trust violations. However, to date, we have limited empirical insight of *whether* features of the NFP sector influence trust violations, and if so, *which* sectoral factors play a role and *how* they inter-relate with organizational and individual-level factors to influence untrustworthy conduct. These questions guided our research with the aim to develop a conceptual understanding of whether and how sectoral factors influence trust violations within NFP organizations.

Method

To advance understanding of the multilevel causes of trust violations in NFPs, we employed a qualitative field study, drawing on interview data from NFP senior executives on the causes and prevention of trust violations, to *inductively* develop a grounded model. Qualitative designs are well suited for theory development and capturing complex, context-specific phenomenon (Grodal et al., 2021), and we note that the sectoral and multilevel perspective emerged inductively through analysis of the data, rather than a-priori.

We chose the Australian NFP sector as the context for three reasons. First, as noted in our introduction, the NFP sector represents an ideal extreme case (Eisenhardt & Graebner, 2007) for studying the multilevel causes of trust violations. Second, the Australian NFP sector has experienced a government retreat from social service provision congruent with what has been experienced in many other countries (Scherer et al., 2016). For example, Australian State and Commonwealth Governments have increasingly outsourced health and human services to the NFP sector (ACNC, 2021). This reflects a global trend of increased reliance on, and expansion of, the NFP sector for the provision of social services over the past decades (Casey, 2016), with the Australian NFP sector mirroring this shift (ABS, 2015; Casey, 2016; MacDonald & Pegg, 2018). The influence of macro-level factors and their interrelationship with micro-level factors are easier to identify when they are subject to change (Suddaby & Greenwood, 2005). Third, two authors have extensive experience and networks with the sector, which facilitated recruitment of senior informants.

Mirroring the NFP sector in many other countries (see Casey, 2016; Salamon & Newhouse, 2020), the Australian NFP sector offers a diverse mix of services including in employment and training, social welfare and disability support, health, community development, arts and culture, public safety, human rights, sport and recreation, and religion (ACNC, 2022). The sector employs 10.5% of the Australian workforce and contributes approximately 4.8% directly to national GDP (Deloitte Access Economics, 2017), with major sources of revenue from user pays services, governments grants, and philanthropic donations (ACNC, 2022). This aligns with global averages for NFP sectors, which indicate NFP organizations on average employ 7.4% of total workforce (and between 8.2 and 11.5% in western countries), contribute 4.5% of national GDP, and have diverse income streams from user pay services, government sources, and philanthropic giving (Casey, 2016; Salamon et al., 2013). The salaries and conditions of workers in the Australian NFP sector are lower

than the corporate or government sectors, in line with trends in comparable countries (see U.S. Bureau of Labor Statistics, 2021; UK Office for National Statistics, 2021). For example, there is an estimated 40% gap between wages in NFPs and equivalent jobs in the public sector in Australia (Macdonald & Pegg, 2018: p. 132) and CEO salaries in the Australian NFP sector are estimated to be half of average CEO salaries in the public and corporate sector (Economic Research Institute, 2022; Pro Bono Australia & PWC, 2022). These figures highlight that the Australian NFP sector shares many characteristics with NFP sectors in other countries.

Data Collection

We sampled individuals who had experience serving on the board or in a senior executive role of an NFP organization. Importantly, we sought senior executives who had cross-sector experience—that is experience in the NFP sector and either the for-profit or government sector—to deepen insight and reflection on potential sector-specific conditions that influence trust violations. Participants were drawn from professional and personal networks of four of the authors (the fourth author was National President and National Director of two NFPs respectively). To minimize potential conflicts of interest, all contact for data collection was made through the second author. Additional participants were recruited through purposive snowball sampling with the aim of achieving diversity of experience across types of NFPs. Recruitment of new participants stopped when theoretical saturation was achieved (i.e., new interviews did not yield novel insights).

Participants

We conducted interviews with 31 participants, with data collection ceasing once data saturation was reached. All participants had experience either as a NFP Board Director ($n=26$, with 18 currently serving on a NFP Board), and/or as a senior executive ($n=20$, with 17 still serving in a senior executive role). The majority ($n=21$) had held these roles in more than one NFP organization. Most participants also had experience as a ‘regular’ NFP employee ($n=18$) and volunteer ($n=20$). On average, participants had 17 years of experience ($SD=12.09$) working in the NFP sector (ranging from 2 to 40 years), with the longest-serving board member spending 35 years in the role. Collectively, our participants had been involved with 49 different NFPs including service delivery organizations (23), membership organizations (14), advocacy bodies (10), and consumer organizations (2) representing a range of industries including social welfare, healthcare, disability support, education, training and employment, arts and culture, community development,

sport, and professional associations. The large majority of participants (85%) had cross-sector experience: 20 with experience in both the NFP and for-profit sectors, 4 in the NFP and government sectors, and 2 had experience across all three sectors. Our participants represented a diversity of occupational backgrounds, ranged in age from 18 to 69 (*Modal age range* = 40–49 years), and 55% were female.

Interviews

We developed and piloted a semi-structured interview protocol that enabled participants to provide a comprehensive account of their experiences and perspectives of violations within the NFP sector (see Online Appendix A). The effectiveness of in-depth interviews for capturing senior personnel's perspectives of violations has been demonstrated (Gillespie et al., 2014).

Interviews ranged from 24 to 65 min ($M=42$) and were audio-recorded and professionally transcribed. Interviews were conducted in person (with the exception of two by phone and three by skype) by the first, second, and fourth authors in Australian capital cities where most NFPs are headquartered. Due to the potential sensitivity of information, we asked interviewees to (a) suggest a location where they felt comfortable to candidly share experiences and (b) read an information sheet and consent form before agreeing to the interview, which explained the confidential management of data, removal of all identifying information from transcripts, and the opportunity to withdraw from the study at any time. We attribute the high level of disclosure by our interviewees to these measures and assurances.

The interview protocol was divided into four sections. In section one, the interviewee described their experience and roles within the NFP and other sectors. In section two, we used the Critical Incident Technique, asking interviewees to recall details of trust violations they had witnessed (if any) during their work in the NFP sector. Trust violations were described to participants as actions that violated “the organization’s responsibilities, core purpose or espoused values” or “called into question the integrity or competence of the organization, and its treatment of stakeholders” and “undermined stakeholders’ trust in the organization”. Examples provided included “fraud, the inappropriate use or expenditure of organization resources (e.g., donations), instances where the organization failed to adhere to commonly accepted ethical standards (e.g., to avoid unsafe, exploitative or dishonest work practices) or failed to meet reasonable standards of competence and care in the treatment of stakeholders”.

Respondents were asked to describe: (1) the nature and cause(s) of the violation; (2) responses to the violation including how it was managed; and (3) how it could have been prevented. After one violation was described in detail,

the interviewee was asked if they had experienced another violation, and if so, the questions were repeated. In section three, interviewees were asked to reflect on their cross-sector experiences to identify features of NFPs (if any) that influenced the nature or frequency of violations or the way they were managed. They were further asked whether NFPs were more or less vulnerable to trust violations compared to the for-profit and government sectors, and if so, how and why. In section four, participants were asked to identify the most important ways NFPs can prevent or minimize the occurrence of trust violations.

Coding and Qualitative Analysis

All recordings were transcribed verbatim and de-identified, yielding 624 pages of transcripts. The analysis took place in four phases which was supported by NVivo 12 software. The first, second and third authors were all involved in each phase of the data analysis. This deepens theoretical insights by allowing authors to probe, build on and further clarify each other’s interpretations (Eisenhardt, 1989).

Phase 1: Identification of Violations

Participants recalled 70 incidences of trust violations. In 66 of these cases, participants witnessed the unfolding of the violation directly in their organizational role and/or were involved in the subsequent management of the violation. The remaining four were based on second-hand accounts of the violation and hence were excluded from analysis. We grouped the violations into seven types which are presented in Table 1 in order of frequency. Violations covered a broad range of untrustworthy conduct including fraud (theft, lying, misrepresentation), resource misuse, abuse, significant service failure, confidentiality breach, value violation, and enacted conflict of interest.

Phase 2: Refinement of themes and coding protocol development

The second author initially conducted a detailed analysis of the interview transcripts and prepared a preliminary identification of themes relating to the perceived causes of violations and organizational measures taken to manage and prevent future violations. Themes were discussed and revised iteratively multiple times by the first three authors based on their detailed analysis of a subset of interviews. Thematic codes were created via an iterative process of reading raw data and refining concepts through hermeneutical analysis, that is, contextualizing themes within the context of the whole interview rather than isolated pieces of text (Alvesson & Sandberg, 2014). First-order codes were drawn from interviewee responses and clustered into themes by comparing

Table 1 Types of trust violations

Type and definition (Number of violations)	Exemplary quote
Fraud (23) Intentional appropriation of organizational resources for personal gain	Look, when things go wrong, they tend to be fraud... the CEO ripped off half a million bucks out of the organization... We got very little of the money back. That all went into the casino. Everybody said, "We trusted the CEO. She was independently wealthy," yet she'd blown that already by that stage. (P20) Financial discrepancies, a number of them, with invoices being paid to organizations that didn't exist. That was the core of it, these organizations that we couldn't track down... the numbers were like 5000 and 10,000 and 15,000. (P02)
Resource Misuse (11) Use of organizational resources at odds with stakeholders' expectations	What we uncovered was a complex range of funding—State, Commonwealth—for a whole range of different departments. The CEO had been shifting money from one grant to another service, and so you couldn't see a direct line of \$1 million coming in here, being spent in this way, and being reported on in this way. \$1 million would come in, he'd just take 200 and solve a shortfall over here, and so the money was all... messy. So, when we hired the new CEO, that was one of the things we asked him to fix, was clean up all the funding and be very, very clear about the funding streams, and don't mix them. (P26) A deliberate miscommunication to people involved in fundraising about what the funds would be used for. (P03)
Value Violation (8) Behavior that violated the socially oriented mission or values of the organization	I remember the director saying very clearly, "Well, we don't really want to put the money towards this particular item," which was a research item, "because at the end of the day, if all of our research was successful [core NFP mission], we wouldn't have a job." ... A mismatch of values. So, I'm in there as an idealistic young person thinking we're going to change the world and her values are more...ensuring the longevity of her career. (P16)
Abuse (8) Abuse of a client by an organizational representative or donor taking advantage of her/his position	You would get complaints come through to the peak body saying, "I was yelled at by a worker," "A worker wouldn't let me have access to food," "A worker punished me." These kinds of things are coming through. These are women who are clients who have experienced domestic and family violence—in a feminist service, which is about empowerment and strengths-based—being bullied by the feminist workforce. I saw that regularly. (P05)
Conflict of Interest (7) Inappropriately deriving personal benefit from actions or decisions made in an official capacity	I discovered down the track that she was employing her husband in a job that she swore black and blue didn't involve client assessment. But I would hear from the practitioners in the public sector who were having a face-to-face contact with the service delivery arm of the NGO that this person was coming in with the form and doing the assessment. They had no skills; they should never have been employed. (P18)
Service Failure (5) Failure to provide services in line with mission and/or expected quality standards	Decisions and approvals weren't being made...things weren't being done. And we were seeing what was a very good not-for-profit society—which is there for the benefit of its members, for the community—not being led and not being run to the detriment of everyone. (P27) ...an aged care home... where 30 residents got food poisoning, and three or four of them died. (P26)
Confidentiality Breach (5) Disclosure of confidential information to parties not intended to access such information	I had a staff member that was leaking information to the government (P04) The only breach that I've been involved in was one where personal details were disclosed to a media outlet...there was an internal breach of disclosing that that person had actually been receiving benefits from the organization. (P12)

Table 2 Causes of trust violations in NFP organizations

Sectoral Level	Theme	Sub-theme/Explanation	Exemplary Quote
	Corporatization	Sector-wide reforms to enhance competitiveness via growth, efficiency, accountability and service output to procure funding	<p>“The not-for-profit sector, its matured enormously over the past decade to be as competitive in governance and performance as the private sector... You have enormous accountabilities placed on you in your organizations by government.” (P8)</p> <p>[NAME OF NFP] was trying to figure out how to remain competitive in a landscape that was changing because when they started out there was no-one else. And now there's other not-for-profits coming in and they're getting funded by big corporates that want their finger in the pie in terms of these different sectors and start-ups and stuff. (P31)</p> <p>“You can have one side of government valuing business acumen more than mission, or vice versa. You've just got to be able to do both.” (P9)</p>
		Increased reliance on the NFP sector to take on and fulfil government contracts for social service provision	<p>Increasingly the government is contracting out to ... smaller organizations these face-to-face responsibilities. They're contracting them out because the not-for-profit organizations are closer to the client base, geographically dispersed and its lower cost, lower cost operations. You're not carrying both the direct costs of public sector employment—the salary and superannuation and office accommodation and all those sorts of things—because all of those things are provided in the not-for-profits, but they're provided at a lesser level. The office accommodation is not as fancy, the on-costs are certainly a lot less, the support structures, and the salaries are probably round about 80 percent of what people would be paid for comparable work inside government, and at senior levels probably 50 percent of what people would be paid inside government for comparable levels of responsibility. So, for all those reasons, that's the reasons that the Government contracts out. (P21)</p>
	Resource Scarcity	NFPs have limited and unreliable funding and access to resources	<p>Not-for-profits are always sailing a bit close to the wind, as much as people don't want to admit that. Not-for-profits aren't flush with money. (P2)</p> <p>It's a very, very difficult time and the government funding has just been sliced, slathered, they don't care really what they're going to do. They just say to people, ‘Well, you won't have any funding after Easter. Get over it.’ (P15)</p>
	Assumed Moral Integrity	Assumption that people who work in NFPs are trustworthy and driven by a moral mission	<p>The starting point for most of the charities I've seen—I've worked at—has been you assume everyone is good because they're working in the charity sector. So, it's a bit of a different starting point, right? ... your starting point assumption [is] that everyone's trying to do the right thing. (P06)</p> <p>Most people who work in the sector are inherently moral and trustworthy (P1)</p>

Table 2 (continued)

Organizational level	Theme	Sub-theme/Explanation	Exemplary Quote
Displaced Organizational Mission		Revenue, service output and governance prioritized over core mission and values	The Government contracts on outputs and that's not about outcomes, that's not necessarily about people having better wellbeing outcomes—employment, quality of life, social inclusion—and I think that the way Government procures cuts across an organization's ability to deliver better quality services...Part of this breach issue is the focus on inputs and outputs. Some [NFP] organizations clearly see that the more that you are funded and the more outputs you deliver, the more successful you are. That doesn't mean that you're actually providing better outcomes for people (P8) Once, people saw not-for-profits as...there for the mission of the organization. Now they're there to deliver services on behalf of government. So, the mechanisms are completely different because you can be technically doing exactly what your contract says, but are you upholding the rights of the individual that you serve? Are you keeping your contract with the people that we support? They're in conflict a bit. (09)
Trusting Culture		High trust placed in those associated with the organization (norm) based on belief they are inherently trustworthy	We have a very strong ethic of trust and that is communicated constantly (P10) Trust culture. This for me is one of the biggest issues in NFPs. Trust and positions of power can intersect to have a highly negative outcome on ethics (P11) We never contemplated that a NAME OF NFP person could do that [breach trust]. It was just not—so, that sort of shook us up. We had another incidence later on but on a completely different issue and that was with paedophiles...things happen and all of a sudden "Oh God, never thought that could happen!" (P29)
Limited Control and Accountability Systems		Limited questioning of those associated with the organization based on assumed morality	it's counterintuitive because I think that [NFPs] can be more vulnerable to trust violations, because... it can sometimes be more difficult, or appear to be more difficult, to hold people to account and to question what they're doing and their behaviors and motives because... "I'm a good person. Don't challenge what I'm doing and don't question what I'm doing." Where in corporate world, it's just—it's not even a question. (P7) I think a lot of leadership in charities assumes things are going to go right because 'everyone's trying to do the right thing'. Whereas corporate leadership often adopts a more questioning approach. (P6)
Limited Remuneration & Volunteerism		Loose Accounting Systems and Financial Controls Limited Performance Management and Accountability Limited remuneration of employees and/or reliance on volunteers	I think the cause was poor financial controls. An individual that had ... too much scope and room to massage, manipulate financial information from accounting entries through to writing cheques and signing cheques... there just wasn't enough financial control there (P2) In the commercial world that's fraud and that's illegal so that's criminal. In the not-for-profit it gets very grey because there's a lot of loose accounting. (P27) ...we think we do a good job. We ring stroke survivors, and we say, "How are you going?" but we haven't got any metrics or things. So how do we actually know we're doing a good job, and that we're meeting people's needs, and people are satisfied with the service or they're getting what they perceive they should be getting? (P13) If you're determined to check on every last thing that everybody does you undermine their sense of trust...So it's a bit of a fine line between how much latitude you give people and how much you want every 'I' and 'T' crossed. (P15) I think, the not-for-profit sector, the pay is not as high as the corporate sector, and so therefore you're less likely to get people who are coming up with new and fresh ideas, because they are snapped up by the profit sector. (P11) We're often engaging with staff who are not necessarily paid well...fairly low incomes (P8) A lot of the time, people who are on not-for-profit boards are doing it for volunteer purpose (P11) They're all unpaid positions...there is no financial compensation (P14) People on NFP boards are doing it for volunteer purposes, so being compensated is not the reason why they're there. (P11)

Table 2 (continued)

Individual Level	Theme	Sub-theme/Explanation	Exemplary Quote
Commercial Orientation	Commercial Orientation	Focus on revenue generation and outputs rather than social mission and values	I think it's [substandard service delivery] being driven by the dollar (P17) I try and differentiate what an organization is trying to do, the altruistic component, but a not-for-profit organization is an organization, so it should be run as a business (P12) There is a pressure on us to make money, to survive... as the money becomes available, our intention is to start a future fund so that we can put a little portfolio—some money in a managed fund, some in a term deposit, low-risk, fairly liquid assets
		Lack of skills, knowledge, experience and/or training required for role	The fact that so many NFP non-executive directors are unremunerated causes... issues... with skillsets (P17) I think the manager was an incompetent manager, and I think they should have been managed out... They had no skills, they should never have been employed. (P18) I mean, they weren't stupid people, but they just weren't equipped to be directors. (P20)
Limited capacity	Limited capacity	Limited time to dedicate to role	A lot of people are doing it for free and therefore the quality of the service unfortunately is often not as good as it should be. Whether or not that's because of a—it's usually not because of a skill of the individual, it's because of the time available that the individual has. (P27)
		Lax work ethic: Employees not fulfilling their duties with require care and professionalism	He would not be on top of things. Sponsors would complain that they couldn't reach him, he'd dropped the ball on so much stuff or he'd be so late to reply to things. So, it'd be like send an email, it's like a month later you might get a reply. Just really poor and so it seemed super suspect and I personally think he was probably not working fulltime on NAME OF NFP, but it was so hard to get him to be accountable. (P31) If somebody really wants to dig around in the not-for-profit... in terms of the financials [they would] probably find some interesting things... around governance... some view going on a not-for-profit board as an easier number. They're not paid to do it. They see it as ticking a box... I would question how many directors going onto a not-for-profit board actually even ask to see the accounts, the management accounts, to actually know what is going on. (P17) The Board of many NFPs are voluntary as well, which can lead to less rigorous governance and oversight (P16)
Lax integrity	Lax integrity	Misuse of organizational resources as 'compensation' for voluntary/low paid work	He had to bring all the staff together in a room and say to them, "It is not acceptable for you to take home food that belongs to the NAME OF NFP." In their minds, they were really poorly paid, so this was a secondary benefit. It's a breach... he had to address the culture that says, "We're underpaid; therefore, it is okay to take this." (P26) The mindset of "I'm not being paid so I'll help myself to whatever I like" is very much in evidence, especially among older volunteers. (P25)
		Deliberate exploitation of organization for personal gain	...someone deliberately did this and they were very sneaky to do it over a period of time. (P16) This particular person, it transpired, has got into financial difficulty... and that obviously [was] the trigger for them to access [the money] inappropriately. (P19) Greedy people abusing the system deliberately. (P1)

data across critical incidents, as well as across interviews. Relevant literature was also consulted to abductively refine themes (Glaser & Strauss, 1967) and several highly specific codes were collapsed into higher-order categories to facilitate communication and synthesis. Once finalized, the coding protocol was applied across the full set of interviews (key concepts are summarized in Table 2 and Online Appendix B Table 2). Prior to this, we checked for intercoder reliability by having the second and third author independently code a sub-sample of the data (16%; 5 interviews) using the protocol. Cohen's Kappa was 0.80, well above the recommended threshold of 0.70 (Cohen, 1960). The second and the third author resolved disagreements through discussion.

Phase 3: Understanding inter-relationships among causal factors

The first three authors then engaged in a deeper reading of the interviews to understand how the various causal factors were conceptually linked. This was done by examining the linkages between causal factors *within* each critical incident, to supplement our prior analysis *across* incidents and interviews. This enabled us to identify patterns in how participants connected sectoral-level factors to organizational and individual causes of violations.¹ These connections highlighted three trickle-down causal pathways, which led to the development of our multilevel model of the perceived causes of violations in NFPs (see Fig. 1).

Phase 4: Member Check

In line with qualitative validation techniques, we conducted a member check (Creswell & Miller, 2000). The first and third author emailed all participants a three-page summary of the model (including Fig. 1) and asked them: (1) to describe the extent to which the model aligned with their experience in NFPs, (2) whether the model was missing any important elements (and if so to describe), and (3) whether the pathways were specific to, or more prevalent in, the NFP sector compared to other sectors. All responses confirmed that the model gave a robust picture of their experiences relating to violations in the NFP sector: "*The findings absolutely resonate with my experience of breaches in NFPs...I can personally think of an example of each factor*" (P16). Responses further helped nuance and deepen connections between factors and, confirmed the pathways were either

more or equally prevalent in the NFP sector than the for-profit and/or government sectors.

Findings

A Multilevel Trickle-Down Model of Trust Violations in NFPs

We asked our senior executives to draw on their cross-sector experience of trust violations to judge whether NFPs were more or less prone to violations than for-profit or government organizations. The large majority of interviewees (81%, $n = 25$) perceived NFPs as *more* vulnerable to violations than the for-profit or government sector, due to distinct features in the NFP institutional environment and the way NFPs operate. Specifically, participants identified ten NFP-specific causal factors that they perceived contributed directly or indirectly to trust violations in NFPs. These factors spanned sectoral, organizational, and individual levels. Each factor is defined and summarized as a theme (some with related sub-themes) in Table 2.

Based on our analysis and interrogation of the relationships among these factors, we inductively derived a multilevel model of the causes of trust violations in NFPs (see Fig. 1). Our model highlights how distinct features of the NFP sector 'trickle down' to influence *organizational*, and in turn, *individual*-level conditions that increase vulnerability to trust violations. We use the term 'trickle down' here to reflect this top-down cascading process rather than the speed of the effect (which may vary depending on context). Our analysis revealed three primary pathways through which these 'trickle down' effects occur, which we elaborate below.

Pathway 1: Corporatization (sector level)

Corporatization refers to changing the organization "in the direction of an organizational form typically found in industrial corporations, characterized by clearly articulated corporate objectives and a division between corporate and operational levels" (Fried et al., 1987: pp. 567–568). In practice, corporatization of the NFP sector involves adopting organizational structures and processes, goals and rhetoric that mimic commercial organizations (Dart, 2004; Maier et al., 2016), including a focus on competitiveness through growth, revenue generation, efficiency, accountability and service output. As summarized by P19: "*you've got not-for-profits emerging that are operating more like commercial operations.*"

Corporatization of the NFP sector was attributed largely to a government retreat from the provision of social services, which increased the need of NFPs to take on, uphold, and retain large government service provision contracts:

¹ In response to a query by a reviewer, we examined whether there were any patterns or differences in our findings across the industries represented in our dataset. We did not find any meaningful industry differences or patterns.

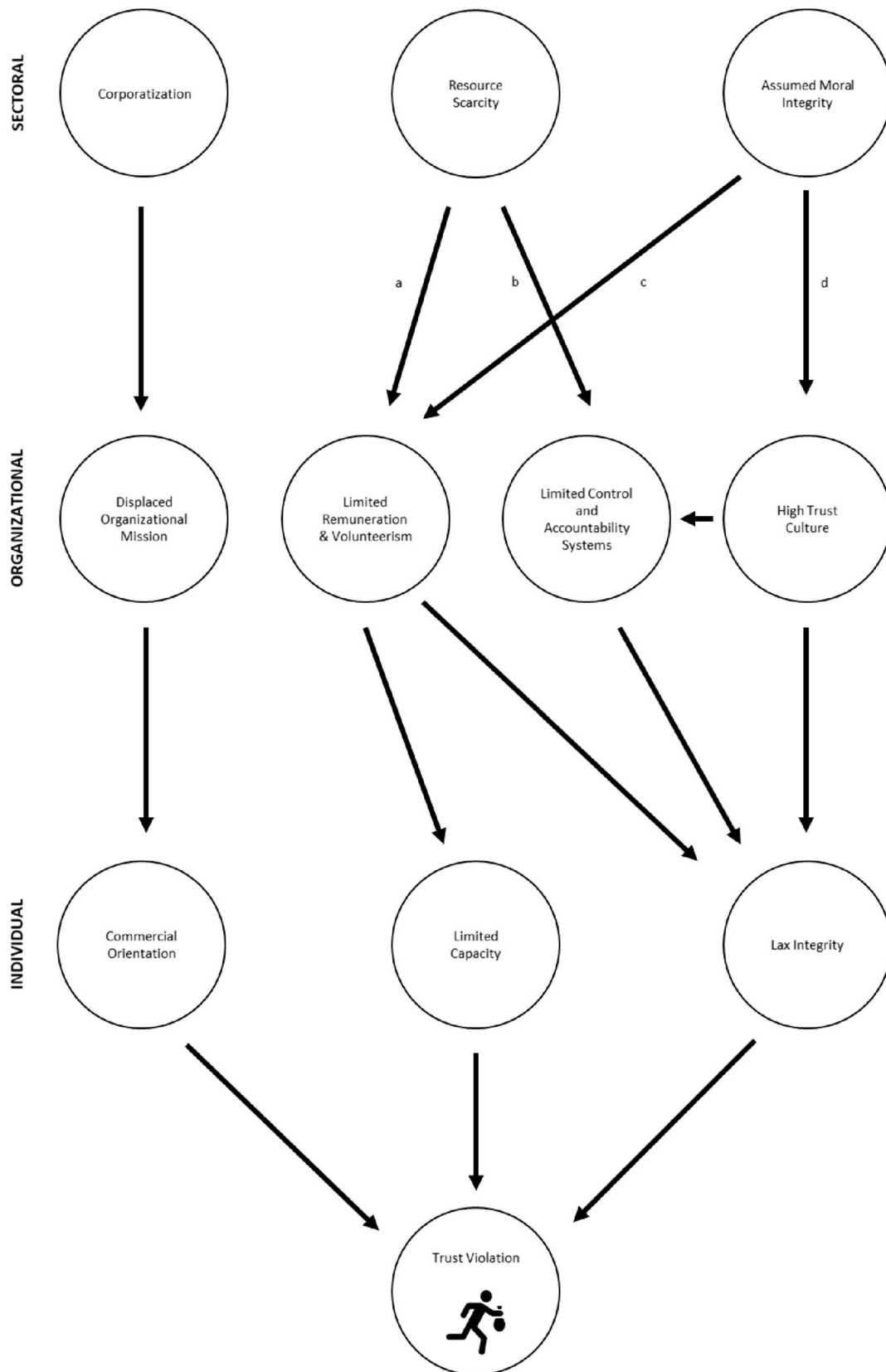


Fig. 1 A grounded multilevel model of the causes of trust violations in NFP organizations

“increasingly the government is contracting out” (P21). Corporatization was perceived as necessary and inevitable in an increasingly competitive environment because scale, ‘business acumen’ and meeting high volume prescriptive service contracts affected NFPs’ ability to attract ongoing funding: [The] Government itself is saying to people, “We’re not going to fund little, tiny organizations anymore” or decreasingly so. “We want to see organizations that’ve got capability and competence.” (P20) Given its growing role as a key social service provider, the NFP sector was subject to greater demands from government and funders for accountability and transparent reporting of how funds are spent:

The capacity of the sector to keep pace with what’s been asked of them, in terms of compliance and reporting and transparency, is increasingly difficult to do. Take public donations: people donate to something because they want to see money go directly into a service or something like that, but I think some of the administrative costs to make sure you are transparent, it’s increasingly difficult to do that...not-for-profits... just don’t have the capacity or the skillsets to meet some of that. (P13)

At the organizational level, corporatization and competition was perceived to result in a *displaced organizational mission*. Participants described how NFPs increasingly prioritized revenue generation, efficient service output, and meeting contractual service obligations over the organization’s core mission:

Most not-for-profits start because they’re mission orientated. So they see a need, they respond to the need. Then the difficulty can become that in delivering that need, you want to become more efficient in your response. The challenge is maintaining the balance between your orientation to mission and your orientation to service delivery. What can happen is that you drift more towards that service direction rather than mission direction. So suddenly you’re no longer holding what is the core to why you started, which can create that drift. And can create opportunity—greater opportunities for violations. (P23)

Corporatization—particularly prescriptive service delivery specifications within contracts combined with increased competitiveness and accountability requirements—limited the flexibility and autonomy that NFPs traditionally enjoyed in deciding how to use funds to best achieve their mission. In fact, participants suggested that under a corporatized system NFPs ‘get in trouble’ for flexibly using funding to achieve better client outcomes in line with their mission:

Government puts out tenders, organizations look at that tender and think, “How can I write a tender to

meet the specifications” ...if you did it differently, you would get far better outcomes for the people that you support [but the] funding guidelines are really quite restrictive. Then if you’re successful, then you actually look at the whole thing and think, “Wow. I’ve won the tender. How can I actually behave in a different way, and touch on the grey without going outside of guidelines, to deliver a better outcome?” It’s how Government packages up all these tenders which are ultimately not providing the best environment or the best outcomes for people because they’re being so prescriptive. Then what it does is that organizations get in trouble because they’re going potentially outside of the guidelines because they actually believe that in doing something a little bit differently, they’re providing a better outcome... it can be considered a breach of your service agreement or your contractual obligations. (P08)

Participants described how corporatized Board structures resulted in senior positions increasingly filled by individuals with a private-sector background and ‘business acumen’, which further focused attention on revenue generation and competitiveness rather than a commitment to the social mission: “If you just go for skills and not people understanding the mission – that’s where people actually come in and turn organizations into something that they’re not—they might be good in governance, but they’ve lost their way.” (P9).

At the individual level, this mission displacement resulted in employees and volunteers taking a *commercial orientation* to their work, prioritizing quantity of output, revenue generation, and growth over achievement of the NFPs broader social mandate:

I think putting commercial things onto the not-for-profit sector ... it’s problematic, without really looking at what the systems are behind that measurement, like how do you actually measure it? Saying that the hallmark of an organization is its growth. That’s ridiculous. The hallmark of your organization should be the quality of work you do. (P9)

This commercial orientation was seen as creating opportunities for trust violations such as sub-standard services and violation of clients’ rights. For example, participants described how employees were focused on the number of clients served, rather than the quality of service needed by vulnerable clients, which was perceived as a violation of the duty to care: “I think the error occurred because of pressure of growth...more clients needing to be serviced, the pressure of trying to build that organization up more and more.” (P12).

This commercial orientation was also evident in decisions to retain employees who could bring in funding, despite being untrustworthy:

that's really why this person is still there, because this person has some strong stakeholder relationships, and letting this person go would potentially jeopardize some of those relationships. They are so crucial in the not-for-profit sector, when those relationships relate to funding (P3).

It also manifested in senior decision makers directing funds away from beneficial activities designed to achieve the NFP's social mission for fear that it would undermine the business model:

I remember the director saying very clearly, "Well, we don't really want to put the money towards this particular item," which was a research item, "because at the end of the day, if all of our research was successful [which would meet the NFPs social mission], we wouldn't have a job. (P16)

To illustrate this pathway, we draw on a violation incident of sub-standard service delivery to clients with spinal cord injuries experienced by P8 while working at a Disability Association that provided personal support services. P8 described how his association had become increasingly reliant on Government contracts to fund and deliver their services, and how these contracts used narrow and stringent performance metrics to evaluate the effectiveness of NFP service delivery (*corporatization of NFP sector*). To fulfil their contractual obligations and be competitive for future funding, the Disability Association began measuring success by the number of clients serviced and the number of hours of service delivery. This was perceived as a departure from the Association's mission to improve client's quality of life (*displaced mission*). In line with these metrics, support workers viewed their own success and priority in terms of the number of hours provided each week, rather than the quality of service and outcomes delivered (*commercial orientation*): "You can provide a person 40 h of personal support over a week which might be more of a hindrance to them and their quality of life than someone who provides 10 h of really high-quality support." This resulted in support workers failing to provide quality, holistic care to clients, which was perceived as a failure of duty of care (*trust violation*).

Pathway 2: Resource Scarcity (sector level)

Participants characterized the sector as perpetually underfunded and under-resourced: "There can be greater vulnerability in the not-for-profit sector for a number of reasons. One is that organizations are smaller, they're less

well-resourced financially and in terms of staff numbers." (P21) While some big players (e.g., Amnesty, Oxfam) were perceived as immune from this deficit, these NFPs were not seen as representative of the sector. Participants made a connection between resource scarcity within the sector and the corporatization pathway 1, describing how the 'financially constrained' environment reinforced the perceived need for NFPs to corporatize to be competitively positioned to 'win' government service contracts and other forms of funding. Participants drew connections between resource scarcity in the sector and trust violations via two main pathways.

Pathway 2a: Resource scarcity to limited remuneration/volunteerism to limited capacity and lax integrity. At the organizational level, resource scarcity meant that organizations had limited resources to remunerate employees, resulting in lower pay than in other sectors and/or a higher reliance on volunteers: *The sector has been characterized by meagre or less than award pay for many years (P1). Limited remuneration and reliance on volunteers* meant that NFPs were often unable to attract and retain 'well rounded' managers, directors and employees and ensure that all required skillsets (e.g., legal, accounting, and risk management) were adequately represented: "the difficulty of the smaller charity is they don't necessarily have all the expertise." (P6). Participants described how NFPs often had little choice but to hire 'well-meaning people' even if they were limited in knowledge, skills and experience: *I definitely think the not-for-profit sector is more susceptible to breaches...these guys can't usually afford to pay the great people who are actually able to make the change, and their boards tend to be well meaning people. (P16).*

At the individual level, limited remuneration and a reliance on voluntary labor contributed to NFP members' *limited capacity* and *lax integrity*, which made the organization vulnerable to trust breaches. *Limited capacity* had two components: 1) a lack of skills, knowledge, experience and/or training required for their role, and 2) limited time to dedicate to the role (see Table 2). As noted above, low remuneration and a reliance on volunteers resulted in hiring employees who had *limited capacity*. This in turn resulted in violations due to substandard performance, service quality, and/or incompetence. Volunteerism further contributed to *limited capacity* by restricting the time workers could dedicate to the NFP, as they often needed to fit NFP work alongside their paid work. This was perceived as contributing to violations because there was inadequate time to perform at the required standard:

The big problem, I reckon, was that no-one was getting paid to do this, because we wanted to give back and everything, and it was misrepresented in terms of the amount of work that was actually involved ...– oh wow, there's actually a lot of work involved ... At least

if there is a monetary exchange it's kind of easier to justify spending time on it... so, there was always this tension of 'I want to do more but it's at the expense of my business.' (P31)

Limited remuneration and volunteerism contributed to some employees and executives approaching their work with *lax integrity*. As shown in Table 2, *lax integrity* has multiple components and two relate to remuneration. The first refers to taking an unprofessional and lax approach to work and governance duties due to its voluntary nature. This was perceived as a trust violation in itself, akin to a 'dereliction of a duty of care', because it resulted in duties not being carried out correctly or with sufficient care:

One of the problems was to try and eliminate what was called the "ripped envelope syndrome" ...when your board directors sit down at your meeting...and rip open the envelope on their board papers...In other words, they've done no preparation. They've not prepared a thing. If they're not being paid, there's no expectation that...this is a responsible and important role. (P18)

When the roles being performed with *lax integrity* related to governance and oversight, this created further opportunities for trust violations by others. For example, P20 discussed how poorly remunerated Board members who were 'distracted' with other paid work displayed a lax and incompetent approach to their governance duties ("*the chairman signed blank cheques. You don't ever sign blank cheques*"), which in turn enabled the CEO to embezzle \$500,000 in organizational resources to cover personal debts. As this example shows, limited capacity and *lax integrity* often combined to enable trust violations.

This element of Pathway 2a is illustrated by a critical incident witnessed by P6, in her director role of a state-level NFP that ran a number of group homes for vulnerable children. Due to limited government funding of children's services, the sector had few financial resources to cover costs and overheads related to personnel, remuneration and training (*resource scarcity*): "they don't have the resources to manage them". Because of limited funding, P20 described how the NFP was unable to offer the remuneration to attract personnel trained in risk analysis who could evaluate, manage and minimize the risks specific to the group homes (e.g., child abuse), nor did they have the financial resources to train or upskill current employees in this area (*limited remuneration*). She noted this deficit was present in many other similar NFPs. The NFP had to rely on the limited skills of current employees who did not have any expertise in risk analysis, identification or management, and hence were unable to assess the inadequacy of the NFP procedures and policies to detect and prevent child abuse (*limited*

capacity). This allowed multiple instances of child abuse to occur in these group homes over many years, undetected and unmanaged.

A second element of Pathway 2a relates to *lax integrity* in relation to the misuse of NFP resources. Some employees stole or misused NFP resources to compensate themselves for their voluntary or low-paid work. This theft and misuse tended to be minor, but the accumulated effect was significant. Examples include claiming more work hours than due, misuse of travel cards, and taking food and provisions.

We're often engaging with staff who are not necessarily paid well...fairly low incomes ...I don't believe that there was anybody who intentionally came in thinking, "I'm going to be able to go away with a significant amount of money out of this," but it was someone who found small opportunities. (P8)

This behavior was not perceived to be an act of bitterness or disengagement due to poor remuneration. Rather, it was described as reflecting moral licensing; a sense of employees feeling like they had earned the right and were 'entitled' to take back from the organization given their history of volunteerism and good work for a benevolent mission:

Someone taking something because they feel like they're entitled to it because they contributed to the organization or volunteered in some way. (P30)

Pathway 2b: Resource scarcity to limited controls to lax integrity. The second 'trickle down' effect of resource scarcity related to *limited control and accountability systems* at the organizational level. Participants noted that, due to financial constraints, there were fewer controls and systems within NFPs to maintain employee accountability. This included 'loose accounting systems' and 'poor financial controls', which enabled financial breaches to occur, and limited performance management systems to monitor, evaluate, and manage the performance and behavior of employees to hold them to account: "*There are gaps in the not-for-profit sector and people will take advantage of those gaps.*" (P28).

At an individual level, participants indicated that this deficit in controls and accountability created an environment that could easily be exploited by employees with *lax integrity* who wished to deliberately take advantage of the organization for personal gain:

I think the cause was poor financial controls [...] An individual that...had too much scope and room to massage, manipulate financial information from accounting entries through to writing cheques and signing cheques ... [NFPs] don't have the controls and systems in place. They can't necessarily afford them. (P2)

Pathway 2b is illustrated by a critical incident described by P11, an experienced manager and board member of an

NFP specializing in women's mental illness support and housing. P11 described the limited resources and funding available for women's services (*resource scarcity*), which restricted the resources her NFP could spend on HR and accountability processes and systems. Her NFP could not afford to create and staff a HR department and therefore did not have any formal procedures or processes for personnel selection, asset use, or managing performance when violations occurred (*limited control* and *accountability systems*). Due to the enduring limited resources to introduce a formal system, long-tenured personnel had become accustomed to having no procedures. The lack of control and accountability systems allowed NFP workers to engage in nepotistic behavior with clear conflicts of interest, including hiring friends and family members without formally advertising the positions or interviewing other candidates, and enabled them to misuse and abuse organizational resources and assets for personal gain (*lax integrity*).

Pathway 3: Assumed moral integrity (sector level)

Pathway 3 related to *assumed moral integrity*. This theme encapsulated two sector-wide assumptions: 1) that people who work in NFPs are inherently moral and trustworthy, and 2) people are motivated to work in the sector because of their commitment to a moral mission (see Table 2). This theme embodied descriptive and prescriptive norms that employees' moral mission is and should be the main reason for working in the sector: "*people go into giving with the right things in mind.*" (P27); "*You've got to be there for the right reasons, not because of money or prestige or ego.*" (P29) Participants drew connections between assumed moral integrity and trust violations via two pathways: *a trusting culture* (Pathway 3d) and *limited remuneration* (Pathway 3c).

Pathway 3d: Assumed moral integrity to trusting culture / limited control systems to lax integrity. At the organizational level, assumptions about the moral integrity and mission focus of those within the sector manifested in a high *trusting culture*, in which it was normative to readily place trust in the NFP's employees, volunteers and sponsors: "*part of the culture is that level of trust*" (P19). This trusting culture was founded on strong and somewhat unquestioned beliefs about the trustworthiness of those associated with the organization:

Well, of course everyone's going to do the right thing if they're working in a not-for-profit, which generally is true. And certainly, you'd want that to be reflected in the culture that you develop within the organization. (P19)

Participants described how these trusting norms and beliefs were exacerbated by the 'altruistic', 'values-driven'

nature of the 'type of person' attracted to work in NFPs, who was perceived to be "far more open-minded to try to help people" (P12). The trusting culture was also manifested through the limited questioning of employees: *[NFPs] "can be more vulnerable to trust violations, because...it can sometimes be more difficult...to hold people to account and to question what they're doing and their behaviors"* (P7). Because of the strong norms to trust others, when managers questioned or asked workers to explain things, this was sometimes perceived as a challenge to the workers' moral integrity:

there can be a culture developed where you're not allowed to question it, because, "You're questioning my integrity." ... I think you've got to be able to manoeuvre information in a way, between this perception that you're somehow not trusting someone when you're doing your job of governance. (P9)

This limited questioning was further compounded by the fact that organizations with highly trusting cultures were less inclined to implement *controls and accountability systems* to protect against untrustworthy conduct by employees and others associated with the NFP: "*Often [NFPs] don't have the processes [to detect violations] because of your starting point assumption that everyone's trying to do the right thing.*" (P6).

Participants drew a direct link between this trusting culture and associated limited controls and individual *lax integrity*, explaining that this 'trust structure' blinkered NFP employees from suspecting that others might abuse this trust and behave unethically:

I think a not-for-profit should have the same level of trust structure as a business and it should operate as a business. But it's probably less likely to have that as diligently imposed...*I think that could potentially blinker them to the fact that some people would be more likely to try and abuse that level of trust that they have.* (P12)

In sum, assumptions of moral integrity at the sectoral level 'trickle down' to the organizational level to fuel a trusting culture and a subsequent belief that there is limited need for control systems to regulate the behavior of others. As a result, organizations were less able to identify and prevent violations occurring because of lax integrity: "*in the not-for-profit sector, there's that sense of we're doing things for the greater good...if you're not having those checks and boundaries or you're not having someone question or ask, then you can slip and slide away.*" (P7).

Pathway 3c: Assumed moral integrity to limited remuneration and volunteerism to limited capacity and lax integrity. Assumed moral integrity was perceived as contributing to trust violations by affecting whether employees

were remunerated for their work, which in turn influenced employee capacity and work ethic. Participants described a strong sector-wide belief that people who work in NFPs are (and should be) driven by their moral mission, not monetary remuneration. At the organizational level, this belief contributed to *limited remuneration and volunteerism*: “If you’re involved with a not-for-profit, by the very nature of it, you shouldn’t expect to be rewarded financially. Your reason should be the reward.” (P17); “We don’t compensate anybody...people do it for purely altruistic reasons.” (P25).

As discussed previously, participants noted that limited remuneration and volunteerism was associated with *limited capacity* and *lax integrity* at the individual level which made the organization vulnerable to trust violations. In sum, our data suggest that respondents’ internalization and enactment of sectoral beliefs about working in NFPs ‘for the right reasons’ may ironically create organizational environments which facilitate opportunities for individuals to engage in untrustworthy behavior.

Pathway 3 is illustrated by a child abuse violation that occurred while P29 was working as a Director at a NFP specializing in child sponsorship. P29 described a strong assumption in the sector that donors, volunteers and child sponsors are fundamentally good and driven by prosocial motives to help children (*assumed moral integrity*). Because NFP staff internalized these assumptions, they placed high trust in child sponsors. This was normative of the highly trusting culture within the NFP, which extended to anyone associated with or contributing to the mission (*trusting culture*). It was ‘unthinkable’ to staff that such sponsors would use their role to strategically access and abuse children they were sponsoring: “*it’s something that we never contemplated that a [NAME OF NFP] person could do that.*” As child sponsors were implicitly trusted to ‘do the right thing’, the organization had no screening, monitoring or oversight arrangements to protect children from abuse by the NFP’s sponsors (*limited control systems*). The overly trusting orientation and associated limited controls enabled a sponsor to visit his sponsored child in Bangladesh alone, then have the child live with him in Australia unsupervised. The sexual abuse occurred undetected over a period of time (*lax integrity*).

Preventing Trust Violations in NFPs

We identified four overarching themes relating to organizational mechanisms to prevent trust violations in NFPs (see Online Appendix B, Table 2): *board effectiveness*, *strong governance processes*, *robust HR practices*, and *embedding cultural values*.

Board Effectiveness

Almost all respondents identified a well-functioning board as key to preventing organizational violations. *Strong governance oversight* by board members was seen as necessary to ensure that policies, processes, procedures and controls were appropriately tailored to the organization and were properly functioning. A common issue that boards encounter in their oversight duties was *avoiding information asymmetries*. Some interviewees saw the need to create channels of direct interaction between board directors and staff to provide boards with a better understanding of how the organization is operating and being managed, and hence prevent violations. These participants were fully aware that bypassing management would be in violation of the separation of governance. Nevertheless they found the current model of separation unfit for the purpose of preventing trust violations:

I think one of the big risk factors of...this CEO-driven organization concept; that somehow the board’s about governance, the CEO’s about operations, and you don’t cross the line. The board should be free to cross the line whenever they feel like it, for a good reason, and there should be processes to do that. If a board member is worried that something is happening, then the board member should be able to say, ... “Can we meet with the staff to talk about that?” (P09)

In our respondents’ eyes, a board which is effective at preventing trust violations possessed four characteristics. Members were expected to have sound *technical skills*, with at least some members being highly skilled in financial literacy, *training* in traditional managerial duties, directorship duties, and/or sector-specific risk assessment, either through in-house development or through formal education, and extensive *sector experience* with an in-depth knowledge and commitment to the mission. These individuals were critical for understanding and identifying sector-specific risks:

What I bring to the board is a huge amount of knowledge, skill and interest in the mental health service system, and a knowledge of clients and illness presentation. I don’t bring financial management, so I’m not going to find that. Whereas I am going to find out about the first stuff I was telling you about, right? We’ve got two or three people on our board who go through our second monthly accounts, our budget and our annual accounts, with a fine-toothed comb. (P18)

Although a range of technical skills and sector specific experience were perceived as critical, overall Board

diversity is key: equipping boards with diverse knowledge, professionals (e.g., accountants, lawyers) and sectoral experience, but also broader diversity in backgrounds, gender and perspectives:

Having someone that is quite removed can actually be good because sometimes if you're involved in the detail, you miss – you gloss over things whereas a non-exec will ask different questions because they're coming from a different background, different position, they don't know the day-to-day so therefore they are going to ask a question that perhaps has been overlooked in the past. (P30)

Strong governance processes

A related overarching prevention theme focused on implementing *strong governance processes*, including *clear policies and procedures* and *strong financial controls*. These systems had to be appropriate for the size of the organization, with overly complex and disproportionate governance structures seen as creating additional risk and vulnerability to violations:

...it's actually understanding given the size of your organization how complex the compliance policy should be. Because you can overburden small organizations, leaving the staff to not actually use them, and that's what—there's your danger—because soon as staff say, “This is more of a burden than a use,” through either lack of knowledge or because it is literally a burden, they'll stop using it and they'll bypass it, and that's when your ethical problems start unfolding. (P26)

Other governance processes included a *risk assessment* process that allow leaders to identify unique threats facing the organization and take actions to protect its most vulnerable stakeholders (e.g., children from sexual abuse), and *transparent accountability reporting* that demonstrated organizational performance to stakeholders. This was seen as a mechanism to prevent violations stemming from the limited accountability typical in the sector.

HR practices

The robustness of *recruitment* practices was perceived as central to screen for potential conflicts of interest and to avoid hiring individuals with a history of ethical violations (e.g., abuse, financial misconduct). Similarly, robust *performance management systems*, and clearly *defined roles and responsibilities* were seen as measures to prevent poor service delivery and wrongdoing and enable appropriate governance:

It's about governance processes, so it's ensuring that we have the appropriate policy and related procedures, and documentation in place [...] and that there is a person at a staff level that is charged with the responsibility of ensuring that there's oversight of that, and that there is regular audits of the process to ensure that people are carrying out the process as it should be carried out. [...] A lot of people don't understand the difference between delegations and authorities—so I can represent an organization by saying, “I can sign off on that,” ... but may not even have the delegation to make that approval or even the authority to sign off on...that documentation. (P23)

Embedding Cultural Values

Although structurally focused factors were commonly identified as preventive measures, the organizational culture was perceived to offer greater leverage in protecting organizations: “*it's culture that's actually going to ultimately be the biggest prevention tool, because whatever system, no matter if it's the best system, if someone's really intent on violating it then they will; they'll find a way.*” (P19).

The responsibility for shaping and embedding a values-based ethical culture and steering the cultural climate within the organization was put on the senior leaders and Board members through *ethical decision-making*, *communicating and reinforcing values* through physical artefacts and documents to ensure clarity of behavior expected, and consistently *role modelling* these values. The importance of *recruitment for cultural fit* in preventing ethical violation was also highlighted:

They [board members] have to fit the culture of the organization first. If they don't fit the culture of the organization, regardless how good they are at financial and legal, they run the risk of taking the organization away from its core mission and values. I think that if they don't fit the values, they shouldn't be there, regardless of how good they are at the legal and financial. (P08)

In terms of which values are important to embed, *fostering openness and transparency* within the organization was viewed as critical to creating a communicative climate that would allow managers and directors to ‘sense’ issues before they became serious. Some participants further suggested that *assessing culture* periodically through organizational cultural surveys to identify red flags and allow the organization to make reforms before cultural problems translated into unethical behavior. Finally, *sanctioning violations* was seen as symbolic in reaffirming to staff what

is expected from them in their roles and also, implicitly, identifying the repercussions of non-compliance with organizational values and policies:

We've always taken a fairly hard line but a consistent line ... I think it also sends a very strong message about the expectations to staff, the seriousness of—what it can mean for a reputation. (P08)

Discussion

Based on analysis of senior leaders' experiences and perspectives, we inductively developed a multilevel, trickle-down model of the causes of trust violations in NFPs. We then identified tensions between the perceived causes of trust violations and the measures used to manage and prevent them. Based on these findings, our paper offers three key contributions to the literature focused on causes of trust and ethical violations in organizations and opens multiple promising lines for future research.

Moving Beyond the Organizational Boundary: Sector Matters

Our first contribution is highlighting the important causal influence of sectoral characteristics on trust violations in organizations. A clear implication of our analysis is that the root causes of trust violations can be situated at the macro-sectoral level. Our model shows how these sectoral features and beliefs trickle down to influence organizational and individual practices and behavior. This highlights how organizational vulnerability to trust violations can be embedded within macro-level sectoral conditions. In doing this, our model challenges a pervasive, implicit assumption within much of the trust and ethics literature: that the causes of untrustworthy behavior occur largely within the boundaries of an organization (Siebert et al., 2015). Drawing on Kish-Gephart and colleagues' (2010) well known analogy, our study suggests we need to not only examine 'bad apples' (i.e., individual characteristics) and 'bad barrels' (i.e., organizational characteristics), but also what we term 'bad fields' (i.e., sectoral and institutional characteristics) to understand the causes of trust violations.

Our study supports the view of Seibert et al. (2015) who argue that we need to look 'beyond the factory gates' to understand the underlying causes of trust violations within organizations. Our paper advances the emerging empirical literature examining the influence of macro-level characteristics on unethical conduct (e.g., Baucus, 1994; Baucus & Near, 1991; Mishina et al., 2010). To date, this

literature has focused solely on the *for-profit sector*. We extend this work in two important ways. First, by showing *how* sector-level characteristics can influence organizational and individual-level characteristics, and second, by identifying which sector-level features influence violations in the *NFP sector*.

Our findings show that in the NFP context, important influences on trustworthy conduct are the prevalent sectoral conditions of Corporatization, Resource Scarcity and Assumed Moral Integrity. There is convincing evidence confirming that these three sector conditions generalize broadly across the NFP sector, rather than being unique to the Australian context of our study. For *corporatization*, a systematic review of 599 relevant samples concluded that the process of NFPs "becoming business-like is a well-established global phenomenon" occurring in a wide range of countries (Maier et al., 2016: p. 64), as evidenced by the adoption of corporate-like organizational structures, processes, goals and rhetoric (Dart, 2004). Similarly, in a study of 501 NFPs in the U.S., Hwang and Powell (2009: p. 272) describe "a broad, seismic shift" in the NFP sector characterized by the need for greater efficiency and accountability, and integration of formalized roles and rules in the face of 'competitive pressures'. These studies evidence that the shift towards corporatization in the institutional environment of NFPs is a widespread phenomenon (see also Casey, 2016).

In relation to *resource scarcity*, the NFP sector is broadly characterized by a "climate of scarce resources" with income streams that are often limited and unreliable, and increasingly dependent on government funding in many countries (Froelich, 1999; Kerlin & Pollak, 2011; Salamon et al., 2013). For *moral integrity*, the perception that those in the NFP sector are prosocial, altruistic and motivated by the social mission is widely embraced (e.g., Rothschild & Milofsky, 2006) and supported by comparative research of NFP vs. for profit employees (e.g., Agarwal & Malloy, 1999; Cooman et al., 2011). Poll data further shows that NGOs and charities are more trusted by the public than the private or government sector (e.g., Charity Commission for England and Wales, 2018; Edelman, 2018; Give.org, 2018).

Rethinking the scope of ethical infrastructure

Our second contribution relates to the concept of ethical infrastructure and designing trustworthy organizations. Our analysis of the strategies used to prevent trust violations revealed an extensive range of formal (e.g., strengthening control systems) and informal mechanisms (e.g., embedding cultural values, see Online Appendix B, Table 1) at the organizational level. These findings align with prior work suggesting that these elements of an organization's trustworthy and ethical infrastructure play a role in preventing

trust violations (Craft, 2013; Kaptein, 1998, 2008; O’Fallon & Butterfield, 2005; Park et al., 2022; Trevino et al., 2014).

However, these preventative measures *do not address the sectoral factors* that our model suggest are root causes of trust violations. Rather they are firmly focused on the organizational level. While individual organizations can strengthen their ethical infrastructure (Kuenzi et al., 2019) and ‘design for trust’ (Gillespie & van Vlissingen, 2019), and this can provide increased protection (McCabe et al., 1996), the persistence of the sectoral causal roots of trust violations is likely to weaken such organizational efforts over time. This may occur both by limiting an organization’s ability to effectively implement a robust ethical infrastructure (e.g., due to resource scarcity and sectoral beliefs about the inappropriateness of remunerating NFP work), or by the latter being trumped and displaced by sectoral norms over time.

In response to this disconnect, we propose an extension of the concept of ethical infrastructure from the organizational to the sectoral level. Currently the conceptualization of ethical infrastructure is restricted to the organizational level: “the organizational elements that contribute to an organization’s ethical effectiveness” (Tenbrunsel et al., 2003). Our findings suggest that a sector or industry can be considered an ethical infrastructure. Our case study indicates that the NFP sector has an ethical infrastructure that is distinct from the for-profit and government sectors, with a range of features being either more prevalent or unique, including formal systems and structures (e.g., regulatory environment, resource scarcity, funding models, governance models) and informal systems (e.g., beliefs and expectations about moral integrity and mission focus of actors, norms of remuneration). Our work extends existing literature on ethical infrastructure and designing trustworthy organizations by pointing to the importance and value of conceptualizing *sectoral* ethical and trustworthy infrastructures and understanding the specific elements in each sector or industry that influence (un)trustworthy conduct by its organizational members.

Widening the concept of ethical infrastructure to the sectoral and industry level opens rich opportunities for novel and impactful future research. To our knowledge there has been little theorizing about, or empirical examination of, macro ethical infrastructures and how they contribute to or help regulate the sectoral pressures, norms and dynamics that make organizations vulnerable to trust and ethical violations. While some research has explored similarities and differences in the ethical values held by those in the NFP sector compared to other sectors (Laratta, 2010; Malloy & Agarwal, 2010), what we are proposing is a more comprehensive examination of sector-wide ethical infrastructures: that is, an exploration of what sector and industry infrastructures entail in both their formal and informal aspects, followed by an evaluation of how these infrastructures influence trustworthy conduct. Such research offers a conceptual basis from which

to understand and account for the prevalence and spread of trust violations within industry sectors.

A Multilevel Trickle-Down Model of Trust Violations Within NFPs

Our third contribution is advancing a multi-level understanding of the causes of trust violations in NFPs. The unique cross-sectoral experience of our senior leader participants allowed us to not only identify what sectoral, organizational, and individual factors are perceived as having a causal influence on trust violations in NFPs, but also examine how these causal factors *inter-relate both across and within levels*. In so doing, our paper responds to calls for the development of multilevel models that capture the trustworthy and ethical behavior in organizations (Chapman et al., 2023; Kish-Gephart et al., 2010).

The trickle-down pathways identified in our model each contribute to sub-fields of the literature, particularly research on bottom-line mentalities and performance pressure (P1), resource scarcity and remuneration (P2), and trust and moral licensing (P3). These contributions are discussed in turn.

Corporatization, Displaced Mission and Bottom-Line Mentality

Research in the for-profit sector shows that bottom-line mentality—the prioritization of profit goals to the neglect of other important priorities and values (e.g. ethics quality; Greenbaum et al., 2012)—increase the likelihood of unethical conduct (Gino & Pierce, 2009; Kouchaki et al., 2013; Mesdaghinia et al., 2018). Our findings extend this work by showing that ‘bottom line mentality’ can lead to untrustworthy behaviour, *even when they are not associated with a profit motive*. We show that employees and *volunteers* in non-profit organizations can fall victim to the dangers of a bottom-line mentality by adopting a ‘commercial orientation’. Commercial orientation reflects a prioritization of the ‘bottom line’ over competing priorities and values (Mawritz et al., 2017): in the case of NFPs, prioritizing actions that support ongoing funding and survival of the NFP, rather a profit motive per se.

More broadly, our work helps explain how sector-level institutions may unintentionally create conditions that facilitate untrustworthy behavior. Our results illustrate that while corporatization aims to enhance functional behaviour through the adoption of business-oriented approaches, paradoxically, when applied to mission-oriented organizations, it can produce dysfunctional and untrustworthy conduct that is misaligned with the primary purpose of these organizations. This aligns with and extends research examining sectoral trends in the adoption of accountability and transparency structures, which suggests that these measures do not

necessarily reduce untrustworthy behaviour, but rather can motivate individuals towards a ‘tick-box’ mentality which can unintentionally subvert organizational values (Power, 2019, see also Kaptein, 2022).

Our findings further illustrate how corporatization places performance pressure on organizations by heightening scrutiny and evaluation of work (e.g., increased accountability and transparent reporting), and linking significant consequences to performance (e.g., ongoing funding decisions). This aligns with an emerging body of literature in the for-profit sector suggesting that performance pressure can lead to unethical behaviour (Baucus, 1994; Mitchell et al., 2018; Park et al., 2022). We extend this line of research by showing that in the non-profit context, corporatization can facilitate unethical behaviour through the *displacement of an organization’s mission*, which shifts employee’s focus away from the organization’s primary purpose (i.e., social mission). Given increased accountability and government scrutiny is a typical response to unethical organizational behavior, this may evoke a counter-productive spiral of increasing corporatization and accountability demands. Avoiding such a vicious spiral will require a sector level response that evaluates the impact of accountability and reporting demands on behavior to ensure they are fit for purpose and support—rather than displace—the prosocial mission of NFPs.

Given the trend towards corporatization and a commercial orientation in NFPs (Maier et al., 2016), coupled with prior evidence that business framing exists in opposition to ethical framing (Tenbrunsel & Smith-Crowe, 2008), it is fair to ask whether the assumed moral integrity and mission focus that the NFP sector has traditionally enjoyed is breaking down, and hence the sector should prepare itself for more trust violations.

Resource Scarcity, Remuneration and Limited Controls

Our research extends prior research associating resource scarcity with violations (Baucus, 1994; Baucus & Near, 1991) by showing *how* scarce resources at the sector level influence and compound trust problems for NFPs. We find that resource scarcity has this effect by placing two structural constraints at the organizational level. One is limiting the organization’s ability to implement sufficient control and accountability practices. This contributes to the trust paradox: the NFP sector is particularly dependent on having a strong reputation for moral integrity, yet financial constraints often lead to suboptimal accountability practices, which creates opportunity for fraud and untrustworthy behavior to occur undetected (see MacDonald et al., 2002). Although employees often view formal control and ethical systems as ‘window dressing’ (Trevino et al., 2014), our findings highlight that they are perceived to play a critical role in regulating employee behavior, and their absence jeopardizes

an organization’s trustworthy ethical infrastructure. This aligns with prior research showing that well-implemented controls can support organizational trustworthiness (Weibel et al., 2016).

A second chronic constraint created by resource scarcity is the reliance on low remuneration and, in the NFP sector, voluntary labor. This constraint resulted in NFPs struggling to recruit staff with the time and skills to meet expected levels of professionalism, and volunteers feeling morally justified to cut corners. Our study is one of the first to show how these downstream effects of resource scarcity via remuneration and limited controls interact and combine to influence trust violations. This is particularly important in the NFP context, where resource scarcity (Froelich, 1999), retaining skilled volunteers (Cuskelly, 2004), and poor organizational infrastructure (Wicker & Breuer, 2011) are key issues.

Assumed Moral Integrity, Trusting Culture and Control

A strong reputation of moral integrity surrounds the NFP sector: the notion that the sector has a strong moral mission with employees that have internalized this moral mission and are inherently trustworthy. Although this is an enviable reputation to have, our study highlights two downsides through which this sectoral belief can facilitate trust violations. First, it results in highly trusting cultures within organizations, which lead to complacency in internal controls and accountability practices. This trusting culture can be exploited by people with questionable values and professionalism—or even fraudsters and criminals—for whom a presumption of moral integrity provides a smokescreen for inappropriate acts.

Second, it can lead to the belief that workers within NFPs are sufficiently motivated by the organization’s social mission that they do not need to be remunerated. Our findings suggest this can lead workers to engage in moral licensing (Bandura, 1999; Shalvi et al., 2015): having demonstrated their moral credentials by volunteering or working for a charity, they can more easily justify small unethical acts. While prior research on moral licensing has focused on the extent to which people behave unethically *despite* being good people; our model highlights the possibility that people can engage unethically *because* they have a history of being good people.

Our findings highlight the ‘dark side’ of trust—a concept that has been theorized but has had little empirical examination or development (Gargiulo & Ertug, 2006; Skinner et al., 2014). Our research contributes to and extend this nascent literature by explicitly linking trust culture with trust violations and showing the pathways through which high trust cultures can foster trust violations, namely by diminishing the perceived need for internal organizational controls and creating an unsuspecting and unquestioning environment

that is ripe for exploitation. Our findings suggest a curious, counter-intuitive dynamic whereby trusting organizational cultures may have particularly dark consequences for ethical behavior when they occur within a broader industry environment in which high moral integrity is assumed.

While it is often assumed that organizational controls undermine a culture of trust (Long & Sitkin, 2018)—and that increased accountability measures impair reflection and foster pure compliance (Power, 2019)—research indicates well-implemented organizational controls support employees trust in their organization (Weibel et al., 2016). As such, our multilevel model might be seen as presenting contradictory findings when discussing both an increase in accountability (i.e., corporatization) and a lack of controls as causes of trust violations. In building our model through their ‘voiced’ experience, our participants reaffirmed that balancing trust and control is difficult to achieve.

Practical Implications

Our study highlights the practical need for sectoral cultural and structural reforms that go beyond the organizational level to address sectoral causes of violations. Peak bodies, professional associations and government funding bodies have an opportunity to leverage sector-wide policies to incentivize the adoption of organizational reforms described in our preventative measures, particularly ‘embedding cultural values’ and ‘strengthening structural controls and accountability’. These actors could work with NFP leaders to build capacity and a culture of appropriate structural controls and accountability practices in the sector. Most donors expect funds to be directed to frontline services leaving NFPs with few options for developing infrastructure for meeting accountability requirements without assistance.

Our findings indicate that how government funds, procure and assesses social service delivery through NFPs plays a role in facilitating ethical violations. Specifically, the corporatization of the sector, combined with outcome and output-based funding approaches were implicated in mission drift which increases the risk of poor service delivery and ethical breaches. In their review of the changing context and structure of NFPs, Maier et al. (2016: p. 75) noted that “business-like approaches may instigate a drift-away from community-building, and to some extent advocacy, toward service delivery” (see also Keevers et al., 2012). Given the importance and magnitude of public procurements, our findings inform policymakers on how their decisions can result in unintended consequences impacting ethical performance. Funders and leaders need to consider how to continuously engage staff with the organizational mission in and beyond service delivery.

Finally, our model suggests remuneration is intrinsically linked to ethical violations. Ensuring that NFP pay rates are commensurate with the skills required of the work could be protective against trust violations for two reasons: it may improve the attraction and retention of highly skilled staff to the sector, and it may promote satisfaction with working conditions and prevent morally disengaged rationalizations which, our analysis suggests, are associated with increased risk of ethical violations.

Boundary Conditions and Future Research

Our model was developed to understand the multilevel influences on trust violations within NFP organizations. While the Australian NFP sector where we collected our data shares many characteristics with NFP sectors in other countries (see Method section) and there is documented evidence that the three sectoral features in our model are common across a broad range of NFP contexts, future research can examine how our model applies to NFP organizations in other country contexts. The model may have wider applicability beyond the NFP sector, for example, to other mission-driven organizations that are for-profit, particularly social enterprises. We also speculate that particular pathways may apply to other industries that share a sectoral-level feature in our model. Notably the resource scarcity pathway may apply to financially constrained government agencies and for profits, particularly SMEs that are vulnerable to fluctuating revenue and cash flow issues. The corporatization pathway has applicability to sectors that have traditionally relied on government funding and are increasingly adopting commercial orientations, such as health and higher education (Currie & Spyridonidis, 2016). We call for research to examine the applicability of the model beyond the NFP context.

We encourage future research to empirically examine the trickle-down pathways identified in our multilevel model, to assess the extent to which these pathways are associated with trust violations, and generalize to other sectors (e.g., healthcare, higher education) and organizational forms (e.g., social enterprises). This could be done through a range of methods. Survey designs could be used to examine the relationships between the sectoral, organizational and individual level factors and assess the extent to which each is associated with violation frequency. We encourage research that takes a cross-sector comparative lens to identify which sector and industry level institutional characteristics and norms predispose organizations within the field to engage in untrustworthy conduct, and the mechanisms through which they have these effects. A longitudinal historical perspective could be adopted to examine how sectoral forces like corporatization have influenced trust violations in organizations, as well as their relative purpose-focus versus commercial orientation (e.g., historical analysis of NFP annual reports over time).

Indeed, the NFP sector lends itself as a natural field experiment that could examine how types of logics—social mission vs commercial orientation—blend over time (see Currie & Spyridonidis, 2016), whether one prevails or a new hybrid logic emerges, and how this impacts trustworthy conduct.

While our model indicated a clear trickle-down effect from top to bottom, we encourage future research that explores the possibility of two-way, bottom-up and cross-level effects between the factors identified at different levels within our model. For example, it could be theorized that the commercial orientation of individual managers and workers could aggregate to further displace the organization's mission, which in turn justifies and reinforces a corporatized approach. Similarly, the limited capacity of workers (lack of skills, knowledge, and experience) could over time justify the limited remuneration of these workers and reliance on volunteers, which in turn may emerge at the sector level to reinforce limited resource investment. It is also possible that sector-level factors such as corporatization and assumed moral integrity could have direct effects on the trustworthiness of employee's behavior, in addition to the indirect effects through organizational level factors we find in our model.

A strength of our study lies in the involvement of board members and senior executives with cross-sectoral and cross-organizational experience. These leaders bring a unique, holistic and strategic perspective to understanding trust violations within organizations (Trevino et al., 2014), based on years of experience responding to and governing to prevent trust violations and misconduct in organizations. Access to these high-level organizational leaders allowed us to determine what key decision-makers perceive to be the 'real' causes of trust violations and the key preventative measures. Notwithstanding, the perspectives of senior executives have rarely been studied within the trust and ethics literature (Gehman et al., 2013; Trevino et al., 2003), with most research instead seeking employees' perspectives (see MacLean & Behnam, 2010; Pelletier & Bligh, 2006; Trevino et al., 2014).

While our sampling had many strengths, we recognize it may have influenced the kinds of incidents these individuals were privy to (e.g., only the more severe violations), and the preventative measures they championed. For example, we noted a clear preference for stronger governance and board control as a solution to violations, which are also strategies within the direct control of these senior executives. Future research could examine the extent to which the causes and effects identified in our model are also perceived by NFP employees and regulators.

Conclusion

As trust scandals across industry sectors become more prevalent, scholars, industry leaders, regulators and the public are asking how and why such sector-wide violations occur. Our multilevel model provides insight into this question by showing how sectoral features and beliefs in the NFP sector trickle down to influence organizational and individual conditions which facilitate trust violations. Our study opens new pathways for preventing violations by proposing that sectors can have their own unique (lack of) ethical infrastructure, which are pivotal in shaping organizational and individual trustworthy conduct. Our work underscores the importance of looking beyond the organizational level to adopt multi-level models that incorporate the macro industry and sector level to advance understanding of the causes and prevention of trust violations.

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Data availability Deidentified quotes and examples from the interview dataset are provided in this manuscript and the supplementary files. In line with our research ethics approval, the full interview dataset is not publicly available to preserve participant confidentiality.

Declarations

Competing interest The authors have no potential conflicts of interest and no competing interests to declare that are relevant to the content of this article. The authors have no relevant financial or non-financial interests to disclose.

Ethical Approval This study was approved by the Human Research Ethics Committee of The University of Queensland in accordance with the Australian National Health and Medical Research Council's guidelines (Approval no: 2017/HE001729).

Informed Consent Informed consent was obtained from all participants included in the study.

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