An Application of the Corporate Virtue Scale to Assess Managers’ Perceptions of Ethical Behaviour in Public Organizations and Service Provision

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Abstract: A strong ethical culture is the key to any organization's long-term success. The purpose of this research was to investigate the link between an organization’s ethical culture and its effect on workers’ well-being, as well as to test the construct validity of the Corporate Virtue Scale (CEV). In South Africa’s Buffalo Municipality, 277 managers from different government agencies made up the sample. The eight-factor CEV scale was validated through a confirmatory factor analysis. Employees’ stress and emotional exhaustion were linked to their views on the prevalence of an ethical culture in public agencies. The results of this study show that an organization’s ethical culture significantly affects its employees’ quality of life on the job. The CEV scale was found to have construct validity, proving its reliability and validity in practice. The government is urged to prioritize the streamlining of regulations and processes that foster an ethical culture in public institutions.

Keywords: CEV model; culture; ethical; public servants; organisation.

Introduction

The topic of ethics has risen to prominence in recent years. The most important reason is that businesses serve important functions in the neighbourhoods where they are based. It also affects government-run agencies that provide essential services to the public. This administration has made “ethical culture” a buzzword. According to Mulins (2010), a society’s culture consists of its various beliefs, values, norms, and points of view.

“Organizational culture” is defined as “a system of shared meaning or assumption held by members of an organization” by Werner, Bargrain, Cunningham, Pieterse-Landman, Potgieter, and Viedge (2011). Meanwhile, the study of moral principles or values that establish whether actions or forms of conduct are right or wrong is what
we call ‘ethics’ (Werner et al. 2011). Organizational ethics, as defined by Huhtala, Feldt, Lamsa, Mauno, and Kinnunen (2011), are the shared convictions about what is right and wrong within a given business.

Management should be aware of and make use of ethical organizational culture to improve the company’s bottom line. The researchers Lamsa and Riivari (2013) discovered a strong correlation between an organization’s ethical culture and its propensity to innovate. It is hypothesized that a company’s productivity and effectiveness would rise if its culture was more ethical. It is generally accepted that businesses should act ethically, but some government agencies have been accused of condoning illegal behavior at the expense of their constituents. There are a number of reasons why the public sector is lagging behind private industry in addressing issues related to ethical organization culture. The large number of employees and bureaucratic procedures typical of public organizations are two contributing factors.

For public sector ethics to be meaningful and effective, Boyce and Davids (2009) argue that attention must be paid to the public interest, public needs, and the ethics of social accountability. This means that corruption, especially in the form of conflicts of interest and preferential treatment, is widely viewed as counterproductive. According to Ramutsheli and Janse van Rensburg (2015), there is sufficient legislation and guidelines for local government to function ethically; unethical behaviour indicates a failure to comply with these regulations. A code of ethics is a document outlining the expected moral conduct of public officials. The media frequently features accounts of public officials acting unethically.

Economic and social development, service delivery, and accountable governance are all duties placed on municipalities by Chapter 7 of the Constitution of the Republic of South Africa (1996). According to Ramutsheli and Janse van Rensburg (2015), any local government should make service delivery a top priority. Nonetheless, they are cause for concern because they have diminished public trust in municipal authorities and the quality of services they provide. Numerous media outlets have published unfavorable accounts of protests that turned violent because of corrupt public officials (Basheka & Mubangizi 2012; Van Baalen, Schutte & Von Leipzig, 2015). It appears from these reports that local governments are having difficulty maintaining acceptable levels of service delivery. Providing essential services in a timely, reliable, and cost-effective manner is what we call "service delivery" (Ramutsheli & Janse van Rensburg 2015).

Buffalo City received metropolitan municipality status in 2011, giving it full legislative and executive authority under the Local Government Municipal Structures Act. The elimination of the separate councils would result in a more unified administration. Having sole rulemaking power within its defined territory is what is meant by ‘exclusive’. The municipality’s financial performance, administration, and the conduct of some of its employees on the job have all been called into question, despite the fact that it has been granted metropolitan status (Nombembe 2013). There has been an uptick in such
criticism in the media and other places, including reports and discussions in parliament and audit reports. Despite the fact that the vast majority of workers hold advanced degrees, they have been acting inappropriately and producing subpar results. According to Bryant (2012), structural functionalists believe that formal education reduces instances of inappropriate behaviour on the job and improves overall performance. When public servants are educated, the same effect is anticipated in government agencies.

Organizational culture can be broken down into several subtypes, one of which is ethical culture. This is especially noticeable in government agencies that are tasked with upholding a strict code of ethics in order to fulfil their public service mission. Sub-Saharan Africa is infamous for its pervasive autocracy, nepotism, bureaucracy, and inefficiency, yet to our knowledge, no studies have examined the ethical culture of public entities in this region. First, to our knowledge, no previous research has empirically examined how the ethical culture in public entities influences the behaviour and wellbeing of employees in the sub-Saharan region. Therefore, the eight-factor Corporate Ethical Virtue Model (Kaptein 2008) will be used to evaluate the public sector’s moral climate. The research also hopes to fill a void in the literature by focusing on the topic of ethical organizational culture in Africa. More research is needed, according to Huhtala et al. (2011), because assessing and quantifying an organization’s ethical culture is difficult. However, most research has centred on the topic of corporate ethics in the workplace (Huhtala et al. 2011; Kaptein 2011; Huhtala et al. 2015; Toro-Arias 2019). While these studies have done a good job of assessing the role of ethics in for-profit businesses, they have said much less about the role of ethics in public institutions. Several valid instruments are used to evaluate and measure ethical culture in organisations, but the literature lacks a more rigorous approach to understanding ethical organisational culture (Kaptein 2010; Kaptein 2008). The retention of creative and skilled employees is a top priority for ethical businesses. Due to the nature of government, it is the responsibility of public entities to provide services to its citizens. Just a few academic works have examined ethics in the public sector (Vyas-Doorgapersad & Ababio 2006; Vyas-Doorgapersad 2007; Huhtala et al. 2015; Shava & Mazenda 2021). To undertake this task, the present authors employ the Corporate Ethical Virtues scale, which measures the extent to which a company promotes a culture that is conducive to employee happiness and well-being.

The following is the article’s structure: Ethical context is provided in Section 2, data analysis techniques are justified in Section 3, the findings and a discussion of the implications are covered in Section 4, and final thoughts and suggestions are presented in Section 5.

1. Ethical Organisational Culture

A company’s culture not only influences the way individuals act and perform on the job, but also the company as a whole (Werner et al. 2011). Ethical culture, meanwhile,
encourages productive actions within an organization that contribute to its success (Lamsa & Riivari 2013). On the other hand, a company with an ethical culture can boost the happiness of its leaders and workers (Huhtala et al. 2011). As a result, they are more likely to be dedicated workers. According to Huhtala et al. (2011), a company’s bottom line can benefit greatly from fostering a culture of ethics. It boosts workers’ efficiency and output, which in turn increases the company’s financial benefits. It also affects the degree to which an organization’s ethics are internalized (Martinez, Skeet & Sasia 2021).

Ethical behaviour is linked to less fatigue, greater involvement at work, and less ethical strain, as reported by Huhtala et al. (2011). Moreover, it boosts interest in one’s job. Therefore, ethical culture is viewed as a tool that can be used both by employees and managers to achieve their respective professional objectives. When there is a shared commitment to doing the right thing, everyone in an organization benefits. According to Werner et al. (2013), an ethical organization culture fosters a trustworthy brand name and helps ensure that employees act in accordance with the company’s values. The Ethics Resource Centre (2010) found comparable results, reporting that unethical behaviour decreased as the strength of an organization’s ethical culture increased. Ethics-related positive behaviour and attitudes lead to more ethical actions in the workplace. Werner et al. (2011) stated that subjects’ beliefs, norms, and values influential on ethical behaviour or conduct in an organization. Lehnert et al. (2015) stressed the significance of making ethical decisions when overseeing ethics in the workplace.


2. Corporate Ethical Virtue Scale

This study is based on Kaptein’s (2008) Corporate Ethical Virtues Scale which is composed of 58 items that assess eight dimensions of organizational ethical culture. The first dimension is clarity (10 items), it deals with organisation-related instructions, such as how to deal with confidential information and basic conduct; congruency of supervisor (6 items), ways in which supervisors set a good example on ethics; congruency of management (4 items), how senior management behaves in line with ethical expectations; feasibility (6 items), organisation-related conditions that enable employees to comply with expectations; supportability (6 items), the degree to which the organisation supports ethical conduct among its employees; transparency (7 items), the extent to which managers’ conduct is ethical; discussability (10 items), the platform offered by the organisation to discuss ethics-related issues; sanctionability (9 items), the degree of punishment for behaving unethically and the rewards for being ethical.

The scale has been tested and proven to be accurate in a number of different contexts. There is some evidence that the CEV dimension is negatively related to unethical
behaviours but positively related to work engagement, as reported by Kaptein (2011) and Huhtala et al. (2011). Subsequently, the scale's results have been consistent, likely because it was developed within a single cultural context. Due to the scale's Dutch-centric design, it was never subjected to rigorous cross-cultural testing. Based on Sutherland's association theory of differences, cultural norms appear to play a role in influencing people's decisions and behaviours after they've been exposed to influences from multiple cultures.

The purpose of this research is to implement the CEV scale in companies with highly multi-ethnic staff. More than 14 languages are recognized by the government as official in South Africa. Therefore, public sector workers are not held to the same standards of conduct when faced with an identical situation.

3. Methods Used

Located in South Africa’s Eastern Cape Province, Buffalo City Metropolitan Municipality (BCMM) is a metropolitan area that includes the city of Buffalo. It encompasses not only East London, but also King Williams Town and the Bhisho. The provincial parliament and other government administrative centres are located in the Bhisho area. There are more than 880,000 people living in BCMM (StatsSA 2021).

Employees from the Department of Education, the Department of Social Development, and the Department of Treasury, among others, were randomly selected to make up the sample (N=300). The researcher had two helpers send out 300 questionnaires via email and hand them out in person wherever they could. Throughout the time period of data collection, Covid-19 protocols were adhered to. The bulk of the information was gathered from September 1, 2021, to December 1, 2021. A total of 277 filled-out surveys were submitted, for a 92% return rate. The ages of those who filled out the survey ranged from 23 to 64 (SD=9.10) years on average. Moreover, 180 (or 65%) of the total were women. About 22% of those who responded worked in senior management, 25% in middle management, and the rest in non-management positions. Seventy percent of those who participated in the survey had full-time jobs. There was an extremely high percentage of college graduates (96%). The majority of staff members were on the day shift (85%). The respondents have averaged 40 hours per week at their government jobs over the course of 4–20 years (67% of respondents).

4. Procedure

Ethical organisational culture was measured using the CEV questionnaire of 58 items (Kaptein 2011). The scale has eight factors: feasibility, supportability, congruency of senior management, clarity, discussability, transparency, congruency of supervisors and sanctionability. The respondents rated these items on a Likert scale from 1 (= strongly
agree) to 6 (= strongly disagree). A higher score (1–6) refers to a higher level of ethicality in each factor. Thereafter, a total score (1–6) was formed by summing up all factors to show the overall organisational ethical culture. Following Kaptein (2008) the ethical strain was measured with two questions, the first being ‘How often do you face such ethically challenging situation? the item was on a 4-point scale from 1 (= never) to 4 (= every day). The second question was ‘Do you experience stress due to these situations?’ It was measured on a 4-point scale from 1 (= not at all) to 4 (= very much). Work engagement is measured with 9 items from the Utrecht Work Engagement Scale (UWES-9). The items are grouped into 3 subscales namely, dedication (3 items), vigour (3 items) and absorption (3 items). The 3 items are scored on a scale from 1 (= never) to 7 (= every day). By summing up all the 3 scales, a higher score indicates higher engagement. Demographic variables included age, gender, managerial level, work shift and contract type. Additionally, construct validity of the CEV scale was ensured by conducting a confirmatory factor analysis on the items (Furr & Bacharach 2008).

5. Descriptive Statistics

Table 1 provides Cronbach’s alphas, means and standard deviations for the study variables. On a balanced scale, managers stated that the culture of their organisation was ethical, sanctionability (3.95) received the lowest and feasibility (4.82) received the highest of the eight factors. Meanwhile, ethical strain (2.84) showed high occurrences and work engagement (3.52) occurred as frequently as expected.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Items</th>
<th>Cronbach’s alpha</th>
<th>Range</th>
<th>Mean</th>
<th>SD</th>
</tr>
</thead>
<tbody>
<tr>
<td>CEV items</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Clarity (CLA)</td>
<td>10</td>
<td>0.80</td>
<td>1-6</td>
<td>4.55</td>
<td>0.80</td>
</tr>
<tr>
<td>Feasibility (FEA)</td>
<td>6</td>
<td>0.93</td>
<td>1-6</td>
<td>4.82</td>
<td>1.15</td>
</tr>
<tr>
<td>Discussability (DIS)</td>
<td>10</td>
<td>0.81</td>
<td>1-6</td>
<td>4.76</td>
<td>1.12</td>
</tr>
<tr>
<td>Congruency of supervisors (COS)</td>
<td>6</td>
<td>0.94</td>
<td>1-6</td>
<td>4.51</td>
<td>0.99</td>
</tr>
<tr>
<td>Transparency (TRAN)</td>
<td>7</td>
<td>0.85</td>
<td>1-6</td>
<td>3.98</td>
<td>0.85</td>
</tr>
<tr>
<td>Congruency of senior management (COM)</td>
<td>9</td>
<td>0.92</td>
<td>1-6</td>
<td>3.95</td>
<td>0.89</td>
</tr>
<tr>
<td>Sanctionability (SANC)</td>
<td>4</td>
<td>0.95</td>
<td>1-6</td>
<td>4.15</td>
<td>0.91</td>
</tr>
<tr>
<td>Supportability (SUPP)</td>
<td>6</td>
<td>0.87</td>
<td>1-6</td>
<td>4.11</td>
<td>1.03</td>
</tr>
</tbody>
</table>
Table 1: Descriptive results.

<table>
<thead>
<tr>
<th>CEV total score</th>
<th>58</th>
<th>0.98</th>
<th>1-6</th>
<th>4.56</th>
<th>0.95</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethical strain</td>
<td>1</td>
<td>1.4</td>
<td>2.84</td>
<td>1.01</td>
<td></td>
</tr>
<tr>
<td>Ethical stress</td>
<td>1</td>
<td>1-5</td>
<td>2.45</td>
<td>0.94</td>
<td></td>
</tr>
</tbody>
</table>

Table 2 shows that ethical culture had a negative correlation with stress ($r=-0.57; p<0.01$) and a positively correlated with work well-being ($r=0.73; p<0.01$). This indicates that ethical culture leads to a positive work well-being and less stress in an organisation.

Ethical culture had a negative correlation with an ethical dilemma ($r=-0.70, p <0.01$) and positive work wellbeing was reported ($r=-0.73; p<0.001$). Suggesting that ethical culture was linked to less ethical strain. On the other hand, the more stressed the respondents felt due to ethical dilemmas, the more they were emotionally exhausted ($r=-0.73; p<0.001$) and less work wellbeing was observed ($r=-0.10; p<0.001$). The correlations between the CEV factors ranged from 0.12 to 0.96. The highest correlation (0.96) was between transparency and sanctionability. Demographic variables (age, gender, managerial level, work type) had some significant correlations with ethical cultural factors, as well as ethical strain and wellbeing.

The managerial level was associated with all ethical culture variables except for sanctionability. Furthermore, it was positively associated with work well-being and emotional exhaustion but negative with ethical dilemmas. Meanwhile, gender was correlated with all the CEV factors except for sanctionability and work wellbeing. Notably, gender was negatively correlated with feasibility. Women experience more ethical strain than men due to a variety of factors that are sometimes not related to work. Work hours had the strongest negative correlation with management level but positively correlated with all CEV factors. Meanwhile, Age had a negative correlation with CEV factors except for feasibility and supportability. Yet, it was negatively correlated with ethical dilemmas.
### Table 2: Correlation for variables

<table>
<thead>
<tr>
<th>Age</th>
<th>Gender</th>
<th>Work hours</th>
<th>Management</th>
<th>CLA</th>
<th>FEA</th>
<th>DIS</th>
<th>COS</th>
<th>TRAN</th>
<th>SANC</th>
<th>COM</th>
<th>SUPP</th>
<th>CEV</th>
<th>STRESS</th>
<th>DIL</th>
<th>EMO</th>
<th>WRK</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
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<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
<td>1.0</td>
</tr>
</tbody>
</table>

* denotes p < 0.05, ** denotes p < 0.01, *** denotes p < 0.001.
Mplus 7 was used to assess the goodness-of-fit of the CFA model. Maximum likelihood (ML) estimation, the gold standard in statistics, was used. List-wise deletion of missing data was used as the basis for all analyses. Criteria for a good fit include a CFI of 0.95 or higher, RMSEA of 0.05 or less, a TLI of 0.95 or more, and an SRMR of 0.05 or less. Table 3 shows that the RMSEA and SRMR values for the eight-factor model are small and close to the criterion value of 0.95, indicating a good model fit. According to LR chi^2 analysis, the eight-factor model provided a better fit to the data than the null model. From M1 to M3, there was a statistically significant increase in the mode.

<table>
<thead>
<tr>
<th>Model</th>
<th>X2 (df)</th>
<th>CFI</th>
<th>TLI</th>
<th>RMSEA</th>
<th>SRMR</th>
<th>Model (df)</th>
</tr>
</thead>
<tbody>
<tr>
<td>M1: Null model</td>
<td>534.393 (86)</td>
<td>0.85</td>
<td>0.84</td>
<td>0.073</td>
<td>0.124</td>
<td></td>
</tr>
<tr>
<td>M2: One factor model</td>
<td>985.442 (86)</td>
<td>0.71</td>
<td>0.70</td>
<td>0.065</td>
<td>0.080</td>
<td></td>
</tr>
<tr>
<td>M3: Eight -factor model</td>
<td>384.611 (86)</td>
<td>0.92</td>
<td>0.91</td>
<td>0.045</td>
<td>0.044</td>
<td>M1 VS M3: 2541.78 (34)<em><strong>, M2 vs M3: 4566.12 (34)</strong></em></td>
</tr>
<tr>
<td>3: Modified eight factor model</td>
<td>200.572(86)</td>
<td>0.96</td>
<td>0.95</td>
<td>0.045</td>
<td>0.041</td>
<td></td>
</tr>
</tbody>
</table>

Table 3: Goodness of fit indices. Note: CFI = Comparative Fit Index; TLI = Tucker Lewis Index; RMSEA = Root Mean Square Error of Approximation; SRMR = Standardised Root Mean Residual. ***p<0.001.

6. Discussion

The study's findings supported the CEV model's eight-factor structure. Furthermore, the findings demonstrated that the factors represented an ethical culture construct in public organizations. This study’s findings revealed medium to high values across the eight-dimension scale. Transparency and sanctionability were found to have strong correlations with ethical culture. Men and Stacks (2014) discovered a link between open communication and positive ethics. Suggesting that organizations that communicate with and listen to their employees are more likely to have a positive impact on ethics. Meanwhile, research shows that organizational culture influences ethical behaviour and internal communication (Berger 2014). Transparent communication necessitates accountability (Rawlins 2009). When organizations involve their employees in information management and dissemination processes, it creates a sense of belonging within the organization. As a result, those employees are more likely to engage in activities that boost performance and efficiency. Open communication improves organizational ethics by fostering trusting relationships among employees (Men 2014). This is to be expected in government organizations, where the large workforce leads to more employees feeling unimportant. Furthermore, unethical tendencies in public organizations stem from the fact that working
Managers in an ethical organization apply ethical standards to their own behavior as well as that of their employees. According to Kaptein (2011), employees understand that unethical behavior is punished and ethical behavior is rewarded. Similarly, as previously stated, transparency is linked to accountability. Given this context, the current study's findings indicate that ethical culture is linked to transparency and sanctionability in the public organizations under investigation. The results confirmed the relationship between these two dimensions. As a result of the findings, organizations with ethical cultures are more likely to share useful information, incorporate employees' perspectives into their strategies to integrate the information they require, and incentivize accountability. Employees are more loyal when they see their company investing resources in developing a relationship with them. As a result, ethical organizations strive to strike a balance between supporting employees' personal development and providing them with the resources they need to do their jobs well. Employee loyalty is increased when employees are rewarded for ethical behavior.

The study, on the other hand, discovered that ethical culture was negatively associated with ethical stress. This supported the findings of Ulrich et al. (2007), who discovered that ethical culture was negatively associated with ethical stress. Stress occurs when managers face an ethical quandary due to a lack of resources. As a result, the presence of an ethical culture in an organization reduces ethical conflicts and confrontations.

7. Practical Implications

The CEV model is based on the virtue theory of business ethics, which states that in order for an organization to be ethical, certain virtues must be present (Solomon 2004). According to the virtue-based theory, being a member of an organization affects employees' moral agency (Craft 2013). The study's findings have significant implications for government organizations. The CEV scale (Kaptein 2008) can be used to assess the ethical culture of various organizational units. It can be stated that if any interventions are to be carried out in an organization, it is critical to have a clear picture of the current situation. This should be done at the lowest level possible so that the information received can be compared to the organization's ethical culture. Understanding how employees perceive ethics is critical because perceptions influence employee behavior. For example, managers cannot act independently in implementing an organization's ethical principles unless employees see them doing so. The CEV scale is normative because the dimensions used are intended to provide practical guidelines for creating an ethical working environment and, as a result, improving workers' well-being. For example, the human resource development team should incorporate ethics into the organization's goal setting and strategies. This can be accomplished through employee and manager
training programs. Our findings revealed that employees in the same workplace had similar experiences with their supervisors’ ethical behaviour. As a result, supervisors must demonstrate good ethical conduct or behaviour by adhering to the organization’s ethical standards.

Feasibility was found to be an important dimension in minimising the risk of exhaustion in employees. This indicates that inadequate resources to support ethical behaviour can lead to more exhaustion of the employees. Bakker et al. (2005) highlighted those employees get emotional exhaustion due to different job demands. Therefore, it is important to note that even if the ethical culture is at its maximum, a lack of resources to help employees to be ethical can expose employees to fatigue and emotional strain. As a result, investments must be made to improve workplace conditions that allow for ethical behaviour while also reducing employees’ exhaustion.

8. Limitations and Future Directions

Despite significant findings, the study has some limitations. First and foremost, this was a cross-sectional study. In a cross-sectional design, data were collected at a single point in time. Therefore, respondents completed the survey only once. Consequently, the scale may contain some inherent bias. Moreover, it is likely that certain characteristics of the respondents influenced the findings. Despite the absence of evidence, this remains a possibility.

Second, the CEV scale was tested in South African public institutions without any attempt to analyze the characteristics of South African national culture (masculinity, collectivism, indulgence, power distance), which could have influenced the results. The distinctiveness of South African culture, as well as the distinctiveness of most societies, may have influenced how respondents perceived the organization’s culture in terms of ethics. As a result, when evaluating the CEV scale, some dimensions are more critical in some organizations than others. Such dimensions are associated with ubuntu guided by the Batho Pele principles in a collective environment like South Africa, which tend to make people think in terms of ‘We’ rather than ‘I’. Batho Phele is a South African political initiative that advocates for better public goods and services.

Future research can assess the CEV scale’s validity in the private sector. The culture differs from that of the public sector, where most employees work for the sake of service rather than profit.
References


