

Effect of Corporate Ethical Values on Ethical Behavior of Punjab Civil Services Officers

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Abstract

This paper intends to examine the effect of corporate ethical values on the ethical behaviour perceptions among Civil Servants of Punjab. The study has used a sample of 272 officers, data from whom has been collected using Corporate Ethical Values Scale (Hunt *et al.*, 1989) and Ethics Position Questionnaire (Forsyth, 1988). The findings reveal that corporate ethical values are related to ethical behavior and the former has a significant effect on the latter. Regression analysis reveals how much the corporate ethical values influence the ethical behaviour of the complete sample.

Key Words

Ethical Behavior, Corporate Ethical Values

INTRODUCTION

Corporate or organizational values are undoubtedly one central dimension of an organization's culture and are recognised to have powerful influences in differentiating one firm from another (Chamberlin, 1933; Alchian & Demsetz, 1972). The concept of corporate ethical values is a much more tangible concept than it looks like. Kenny (1994) has proposed that every organization like every human community has its own value system. Research in the past has established the relationship between individual values and organizational values which says that values of organization grow from values of individuals which, in turn, shape the organizational culture values. Over the past few years, the research has suggested that different or unique values shared by the members of the organizations explain

the superior and sustained performance. Organizational values serve as a catalyst in the development of the organizational culture, and these shared-values shape the norms and behaviors of its members (Cable & Edwards, 2004; Posner & Schmidt, 1993; Stevens, 1999).

When the ethical standards/values in an organization are widely shared among the members, organizational success gets enhanced (England, 1967; Brown, 1976; Koch & Fox, 1978; Badovick & Beatty, 1987) as the prevailing culture in the organization has a direct bearing on the performance of the employees. It has been pointed out by Peters & Waterman (1982) that superior performance firms have a well-defined set of shared-values at the core.

Organizational values are often discussed in the context of ideas and beliefs about what kinds of goals, members of an organization must pursue along with the ideas about the right kinds of standards of behavior they must use to achieve such goals. Corporate ethical values have been defined as "a subset of organizational culture, representing a multidimensional interplay among various "formal" and "informal" systems of behavioral control" (Trevino *et al.*, 1998). These informal systems include the set of beliefs, norms, and practices shared by people within an organization (Key, 1999). The logic behind the idea of focusing on ethical values as a means to impact employee ethical behavior is that individuals can be expected to act in a manner consistent with the values in the organization (Hunt & Vitell, 1986; Hunt *et al.*, 1989). Research conducted by Liedtka (1989) proposed that organizational value systems play a critical role in establishing the foundation upon which ethical dilemmas of managers are played out. An organisation's values are basically the criteria by which employees make decisions about priorities (Christensen, 2001). They are often defined as the shared values of all employees. These shared-values are relatively stable, enduring and interact with a company's people and organisational structure to produce patterns of behaviour (Chatman, 1991).

There is no doubt that organization's ethical orientation can affect attitudes of the employees. Robin & Reidenbach (1987) postulated that the key to success of any corporate culture is the selection and implementation of its organizational profile identified by its core values, which ultimately becomes an integral part of the organizational mission. In their theoretical model, Bommer *et al.* (1987) established that the work environment can interact with several other factors to influence managers' decisions to either act ethically or unethically. The model identified some of the organizational factors that can influence ethical decision-making as corporate goals, stated policy and corporate culture.

In organizations, nowadays, ethical issues have become more complex and

command more attention because of concern on aspects such as fair and sustainable competition, societal expectations, social responsibilities and legal protection and rights (Koh & El'frd, 2001). In the globalised business environment, the issue of business ethics has become increasingly important where comparative advantage and competitive edge are considered to be central to business decision-making. In a highly diverse and intensely competitive scenario, administrators are faced with difficult situations and often have to make tough decisions, which are not only right, fair, and proper (Hosmer, 1991) but are also effective (Hosmer, 2000). Public as well as private sectors are facing ethical issues frequently and with increasing pressure on individuals and organizations both for ethical behaviour (Ford & Richardson, 1994 and Trevino, 1984) administrators are expected to have a well-developed moral imagination (Werhane, 1998) in order for them to act ethically. In such situations people might feel "the need to arbitrate in a way that makes their lives feel reasonably coherent and continuous" (Midgley, 1991). Work ethics can be understood as practices and policies in business that determine what is ethically defensible and what is not. Hartman (1998) describes business or work ethics as the business or work behaviour which is based on standards of right or wrong rather than entirely on principles of accounting and management. It involves putting values into practice, which guide decision-making in morally complex situations. An ethical dilemma exists when two or more values are in conflict. Jackson (1996) suggests that there are two kinds of difficulties one faces at workplace :

- Difficulty of identification, that is, recognizing what is one's duty in a particular situation, and
- Difficulty of compliance, that is, about doing one's duty, once it is known what it is.

This implies that when faced with an ethical issue, first and foremost, it is the ability to recognize the moral issue in order to make ethical decisions. And hence, comes the choice that one makes in order to act ethically.

REVIEW OF LITERATURE

Lewin (1951) revealed that it is the interaction of personal or individual characteristics as well as organizational characteristics which determine the ethical behavior of the employees at their respective workplaces. He created a field theory rule that said analysis could only start with the situation represented as a whole, so in order for change to take place, the entire situation must be taken into account. There seemed to be a repetition of people having the same unsuccessful attempts to grow and develop themselves and field theory drew the conclusion that this

repetition came from forces within our fields. Schein (1984) established that corporate ethical values (CEV) are a major dimension of organizational culture and these significantly impact the behavior of individuals within the organization. However, the relationship between CEV and ethical behavior may not be direct. It is likely that corporate ethical values are manifested through fair and just policies, procedures, and decision-making procedures. Bommer *et al.* (1987) in their model said that the work environment can interact with several other factors to influence managers' decisions to act ethically or unethically. The model identified corporate culture, goals and the stated policy as some of the organisational factors that influence ethical decision-making. According to the authors, corporate goals can be short-term as well as long-term, with most companies focusing on the short-term goals in terms of return on investment and profitability. They also argued that when short-term goals are dominant in a company's outlook, there are more chances of ethical concerns being subordinated. Raza & Ramzan (2013) revealed that a strong corporate culture with high ethical standards is a prerequisite for proper ethical behavior of employees and the company as a whole. Unless ethics is being implemented from the top, it would not reach the bottom. Today, more and more employees prefer to work for a company that has a good reputation and is highly ethical as the value of business ethics is increasing in society. The study revealed that there is a strong correlation between corporate culture and ethics or the ethical standards of an organization. The stronger the corporate culture, the higher the ethical standards of the company.

OBJECTIVES OF STUDY

The objectives of the study are :

- (a) To find out if the civil services officers give due importance to corporate ethical values.
- (b) To investigate the level of ethical behavior of the officers.
- (c) To explore if corporate ethical values have a significant effect on the ethical behavior of the officers.

RESEARCH METHODOLOGY

1. Population, Sample Size and Demographics

Out of 1100 Punjab Civil Services Officers (population size), data was collected from 272 officers (sample size). 83 (30.5%) respondents were between 20 to 30 years, 62 (22.8%) were between 30 to 40 years. 85 (31.3%) were between 41 to 50 years and 42 (15.4%) were above 50 years. 130 (47.8%) respondents were

Graduates, 127 (46.7%) were Post-graduates and 15 (5.5%) were Doctorate. The number of male and female respondents were 177 (65.1%) and 95 (34.9%) respectively.

2. Sampling Technique and Data Collection

Data was collected in the form of questionnaires. Questionnaires were sent through mail as well. Convenience sampling technique was adopted to collect data from the officers.

3. Sampling Instrument

Taking into consideration the objectives of the study, appropriate questions were framed. The questionnaire used in this particular research study comprises of two different scales.

- (a) **Corporate Ethical Values Scale (Hunt *et al.*, 1989)** : The measure of corporate ethical values was captured with the use of the five item 6-point scale ranging from 1 = strongly disagree to 6 = strongly agree to obtain information on three broad-based perceptions: (a) the extent to which employees perceive that managers are acting in an ethical manner in their organization, (b) the extent to which employees perceive that managers are concerned about the issues of ethics within their organizations, and (c) the extent to which employees perceive ethical (unethical) behavior is rewarded or punished in the organization. Reverse scoring was done for the negatively-worded items i.e. items 26 and 27.
- (b) **Ethics Position Questionnaire (Forsyth, 1988)** : DonelsOn R. Forsyth developed the Ethics Position Questionnaire (EPQ) to measure the level of ethical behavior as well as individual differences in moral thought. EPQ includes 20 items, 10 for each of the idealism and relativism scales. Respondents indicated degree of agreement with each item using a scale that ranged from disagreement (1) to agreement (6).

RESULTS AND DISCUSSION

This section deals with the relationship that exists between corporate ethical values and ethical behavior.

1. Nature of Distribution of Scores

The Tables 1 and 2 below shows the descriptive statistics – mean,

standard deviation, minimum as well as maximum values for corporate ethical values (CEV) and Ethics Position Questionnaire (EPQ).

Table 1
Descriptive Statistics for CEV

Descriptive Statistics	
	Corporate Ethical Values Scale (N = 272)
Minimum	2.00
Maximum	6.00
Mean	4.2831
Standard Deviation	.79035

The Table 1 shows descriptive statistics for the corporate ethical values scale. The scores on the scale ranged between 2 and 6. The mean and standard deviation for the same were found to be 4.28 and 0.79 respectively. The value of mean indicates that the civil services officers, on the whole, believe that the corporate values exist in this field of public service which tells them what kind of behavior is acceptable in this field and what is not acceptable and they value the same as well. The existence and recognition of corporate values gives an indication of the presence of a superior performance in this sector. Over the past few years, the research has suggested that the different or unique values shared by the members of the organizations explain the superior and sustained performance (Leontiades, 1983; Bonoma, 1984; Barney, 1986; Deal & Kennedy, 1989) as these values act as a catalyst in the development of the respective organizations.

The Table below shows the level of ethical behavior of Civil Servants through the descriptive statistics.

Table 2
Descriptive Statistics for Ethical Behavior (EPQ)

Descriptive Statistics	
	Ethics Position Questionnaire (N = 272)
Minimum	2.60
Maximum	5.50
Mean	4.4042
Standard Deviation	.56303

On the Ethics Position Questionnaire, the scores of Officers, that is, Civil Servants ranged between 2.60 and 5.50. The mean score was found to be 4.4042 and the standard deviation was 0.563. The results indicate that the average level of ethical behavior of the officers was well above the mid-level of a 6-point scale with 6 being a total honest and ethical behavior on the part of the concerned officers. So, it can be concluded here that the level of ethical behavior among the civil servants of Punjab and Chandigarh is quite high, i.e., the officers are well aware of what is right and wrong and behave in the most righteous manner to take right decisions for the welfare of the people and the betterment of the society. One of the reasons as to why the civil servants are relatively ethical, can be that these officers are the most tested people of the society and are also constantly under test and have control over the resources at the same time. At the entry level, they are tested on many of the social aspects of society such as truthfulness, honesty, values, beliefs, attitudes through interviews and a number of tests so that right people are selected for this sector. Again, when they get into the exact role, they are constantly under test and are judged for the decisions they take for the society on the whole. Every action taken by the civil servants is watched and judged in the light of right and wrong and hence, they try to remain as ethical as possible for taking official decisions. Also, because they have control over resources of the society, they feel an obligation to do right things only for the society. This is supported by studies conducted by Levine et.al. (1990) and Hunt (1997) in which they have said that public servants respect the rule of law as well as the dignity of individuals in carrying out official responsibilities and hence, end up making the most ethical judgments. This is of great importance because in any society civil servants are expected to maintain and strengthen the public's trust and confidence in government via demonstrating highest standards of professional competence, efficiency and effectiveness, upholding the Constitution and the laws. They seek to advance the public good at all times via effectiveness, efficiency, transparency, integrity, legitimacy, fairness and responsiveness (Whitton, 2001).

Relationship Between Ethical Behavior and Corporate Ethical Values

The Table below describes the relationship that exists between ethical behavior and corporate ethical values/organizational values. The objective here is to see if the two are related and if organizational values contribute to the officers under this research study to behave in an ethical manner.

Table 3
Correlation Between Corporate Ethical Values and Ethical Behavior

		Ethics Position Questionnaire
Corporate Ethical Values Scale	Pearson Correlation	.238(**)
	Sig. (2-tailed)	.000
	N	272

The Table above shows the correlations between the variables. The Pearson Coefficient is 0.238 which is a little weak, i.e., the relationship between corporate ethical values and ethical behavior is weak, but the low value or the weak correlation coefficient does not nullify the relationship that exists between organizational values and ethical behavior. The value indicates a positive relationship, i.e., increase in the organizational values would bring a positive change or increase in the ethical behavior of the employees. The significant value is 0.00 which implies that the correlations are statistically significant and have not occurred due to chance variations. These findings indicate the presence of a good culture in this sector and indicate how these values contribute to ethical decision-making. The importance of organizational values can be estimated from the fact that without these values and proper declaration of do's and don'ts, an organization just cannot exist. These values dictate the right things to be done under particular circumstances and hence, directly affect the ethical behavior and decision-making among the civil servants. Many past studies lend support to these findings. Some of the studies are discussed over here, for example, Raza & Ramzan (2013) revealed that a strong corporate culture with high ethical standards is a pre-requisite for proper ethical behavior of employees and the sector as a whole. Unless ethics is being implemented from the top, it would not reach the bottom. The study revealed

Table 4
Regression Table for Corporate Ethical Values and Ethical Behavior

Model Summary									
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics				
					R Square Change	F Change	df1	df2	Sig. F Change
1	.254(a)	.065	.061	.54297	.065	18.613	1	269	.000

a Predictors : (Constant), Corporate Ethical Values Scale

that there is a strong correlation between corporate culture and ethics or the ethical standards of an organization. The stronger the corporate culture, the higher the ethical standards of the sector.

The Regression Table above shows the degree of relationship between ethical behavior and corporate ethical values. The statistics above show that contribution of organizational values is upto 6% in the ethical behavior of the officers. This implies that 100% increase/change in the corporate ethical values/ organizational values of the officers can bring upto 6% increase/change in their ethical behavior or ethical decision-making.

The ANOVA Table below shows if the independent variable has any significant effect on the dependent variable.

Table 5
ANOVA Table for Corporate Ethical Values and Ethical Behavior

ANOVA(b)						
Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	5.487	1	5.487	18.613	.000(a)
	Residual	79.305	269	.295		
	Total	84.792	270			

a Predictors : (Constant), Corporate Ethical Values Scale

b Dependent Variable : Ethics Position Questionnaire

The significant value from the ANOVA Table shows that the independent variable, i.e., CEV has a significant effect on the dependent variable, Ethical Behavior and it contributes towards the ethical behavior of the officers under study.

CONCLUSION

The present research study has revealed that corporate ethical values or organizational values do exist in the public sector and also, the level of ethical behavior of civil services officers is quite high. The findings of this research study indicate that corporate ethical values or organizational values do have a significant positive relation with ethical behavior of the civil services officers and the former, also, significantly affects the latter. The explanation for the same can be that organizational values, norms and policies provide situational controls which, in turn, define what behaviors are expected and considered appropriate within a specific sector, as also supported by Syvantek & Bott (2006). Therefore, whenever

there creeps in an agreement within the sector/organization about the relevant values, norms and policies, then the organization's climate can be said to be strong and regarded as a means of guiding ethical behavior (Schneider *et al.*, 2002).

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