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An adapted measure of ethical climate in organisations – a South African study Prof Anton Grobler PhD (Industrial and Organisational Psychology) Area Head: Leadership and Organisational Behaviour 1**Graduate School for Business Leadership e-mail** address:

grobla@unisa.ac.za ABSTRACT A study was conducted to analyse the ethical climate typology of the Ethical Climate Questionnaire empirically, in order to develop a unique South African typology. This typology was tested for the equivalence of the construct between the private and public sector. A three ethical climate type solution was found (in contrast with the initial nine, and later five type typology). The results suggest that the construct is equivalent for both the private and public sectors. The findings could be used as a foundation for future studies, as well as for ethical climate measurement within the South African context. Keywords: Ethical climate; Ethical Climate Questionnaire (ECQ); measurement ethical climate; Victor and Cullen's ethical climate typology; locus of analysis; ethical criteria; management of ethics. INTRODUCTION The world has recently been hit by a plethora of corporate scandals and recurring ethical transgressions of their leaders and employees. The most recent international case, that of Volkswagen (the so-called emissions scandal), as well as Enron Corp., WorldCom Inc. and Tyco, and in South Africa, J Arthur Brown plundering Fidentia, Pioneer Foods, Tiger Consumer Brands and Premier Foods (price fixing), and recently allegations of fraud and corruption and unethical management at the Passenger Rail Agency of South Africa (PRASA), just to mention some. This has led to organisations (and all stakeholders) placing a high premium on ethical behaviour of leaders and employees. The shared perceptions of this behaviour, related to what is considered as ethically correct behaviour within that specific context (organisation), is collectively referred to as the ethical climate of the organisation. Ethical climate (and subsequently the Ethical Climate Questionnaire [ECQ]), as conceptualised and developed by Victor and Cullen (1987, 1988) consists of a nine ethical climate type typology, and is regarded as the dominant framework in organisational studies considering ethical climate (Mayer, Kuenzi & Greenbaum, 2009).

Mayer et al. (2009) attempted 5to discern the ethical climate of an organisation by statistically analysing variables along two dimensions, namely the ethical criteria leading to normative decision making and the locus of analysis for decision making. The ECQ has been studied by various scholars, with the recent studies mainly conducted in the USA, Japan, Singapore and China (Shafer, 2015) and Australia (Shacklock, Manning & Hort, 2011). There are, however, some philosophical concerns about the ECQ, but that fall outside the scope of this article. The critique relates amongst other to the definition underpinning the ECQ. Mayer et al., (2009:200) indicated that it is not clear in the 8definition whether the determination of what is "correct behaviour" only resorts within a specific organisation or whether it must coincide with general societal norms. It is further postulated that 92ethical climate is a type of organisational climate that is made up of the shared perception of amongst others policies, procedures rewards and support, but Victor and Cullen's (1987) definition does not include it directly. They added these aspects to their extended definition (Victor & Cullen, 1988), but the instrument was not adjusted to make provision for it. A further critique raised by Arnaud (2010) is regarding the 78two dimensions, ethical criteria and locus of analysis, and specifically whether it represents two 97distinct and independent aspects of ethical climate. She went further to question the comprehensiveness of the model (instrument) 34to capture the true breadth of the ethical climate construct. This is however a purely empirical study 90to determine the typology of ethical climate

within the South African context, without questioning the philosophical assumptions and theories underpinning this instrument. Although ethical climate is a well-researched construct and instrument, no African and specifically South African studies on this topic could be found. The use of the ECQ would then be based on the structure (typology) established in other countries, negating the impact of the unique South African context. This is especially important, as Shacklock et al. (2011) indicate that 2diversity in patterns of ethical climate dimensions across studies with different populations is expected, mainly because of the differences in organisations or sectors, and from this article's perspective, even more so across countries. Previous research in various settings has resulted in nine, six, five, four and three climate type typologies, indicating the variability in the conceptualisation 74of ethical climate. In order to measure ethical climate in South African organisations effectively, a context-specific typology should be developed, as one cannot merely haphazardly choose a specific typology without testing it empirically. It is then postulated that a situational approach be adopted for the accurate measurement of ethical climate, instead of the universal approach, just accepting 'only one best way of responding', based on studies from abroad. The purpose and contribution of the 89research on which this article is based was therefore fourfold. Firstly, the aim was 8to provide a conceptual understanding of the construct 'ethical climate', and ethical climate measurement through a literature study, and secondly, to develop a South African specific typology of ethical climate by means of exploratory factor analysis and other related statistical techniques. The third aim was 45to test the equivalence of the factor structure (typology) across sectors, 82i.e. public sector and private sector in order to establish its utility within the total South African context. Lastly, recommendations were made regarding the measurement of ethical climate in South Africa, and for future research. The structure of this article follows this sequence. THE CONSTRUCT 'ETHICAL CLIMATE' 76Ethical climate is a

multidimensional concept that has been studied and defined by various scholars mainly in studies related to the management of ethics in organisations. Ethical climate was initially defined by Schneider (1975:474) as 44"a stable, psychological meaningful, shared perception employees hold concerning ethical procedures and policies existing in their organisation". In the same way Wu and Tsai (2012) as well as Parboteeah and Kapp (2008) defined 32ethical climate as the prevailing perceptions of typical organisational practices and procedures that have ethical content. Ethical climate has been defined in a more collective way by Mayer, Kuenzi, and Greenbaum (2010), Deshpande, Joseph and Shu (2011), Huang, You and Tsai (2012) and Hwang and Park (2014). Their definitions include the central aspect of shared perceptions of employees, but also how ethical issues are generally (and should be) addressed within an organisational context and what is considered to be ethically correct behaviour. Martin and Cullen (2006) add the dimension of moral consequences of organisational practices, procedures and policies. They are also of the opinion that an ethical climate arises 30when members believe that certain forms of ethical reasoning or behaviour are the expected standards or norms for decision making within a specific organisation. 26Ethical climate therefore influences both the decision making and subsequent behaviour in response to ethical dilemmas. Schwepker and Hartline (2005) define ethical climate in a similar way, but they add the shared and organisational ethical values to their definition. They regard ethical climate to be 10a type

of cultural control which results from an accumulation of organisational rituals, stories, and norms of interaction. They are also of the opinion that ethical climate is largely determined by the normative values and behaviour patterns that exist among employees throughout the organisation. When a climate is created where ethical values and behaviours are fostered, supported and shared, more ethical behaviour occurs. Their view is congruent with the definition of ethical climate of Rasmussen, Malloy and Agarwal (2003). Guerci, Radaelli, Siletti, Cirella and Shani (2015) add the aspect of reinforcement of ethical behaviour, specifically the way that an organisation supports and rewards ethical behaviour, which might be considered as an organisational practice on its own that also needs to be subjected to ethical scrutiny. DeConinck (2011:618) contends that ethical climate relates to "the perceptions of rightness or wrongness present in the organization's work environment and establishes the norms for acceptable and unacceptable behaviour within the company". This empirical research conducted in this study was based on the ECQ developed by Victor and Cullen (1987, 1988) who are considered to be the pioneers of ethical climate theory (Mayer et al., 2009). They approached it from a moral philosophy, moral psychology and sociological perspective (Parboteeah et al., 2010). For the purpose of this article it is suggested that their definition be used as the overall definition of ethical climate. Their definition largely captures the essence of the definitions and opinions of the various scholars as discussed above. They define ethical climate as "the shared perceptions of what ethically correct behaviour is and how ethical issues should be handled in the organisation" (Victor & Cullen, 1987:51–52). They extended

their definition to define 33ethical climate as “the prevailing perceptions of typical organisational practices and procedures that have ethical content” (Victor & Cullen, 1988: 101). MEASUREMENT OF ETHICAL CLIMATE (ECQ) There are various instruments to measure ethical climate, which is considered to be an important aspect in the management of ethics in organisations. Ethical climate in this study was measured with the ECQ, which is based 8on Victor and Cullen’s (1987, 1988) theoretical typology of ethical climate that consisted of two dimensions. This is considered to be 25the most widely used instrument to measure ethical climate (Peterson, 2002; Mayer et al., 2009). Arnaud (2010) indicated that the ECQ is used in 75% of all empirical studies related to ethical 28climate. Victor and Cullen (1987, 1988) pointed out that the first dimension is related to the 18ethical criteria used for decision-making purposes. The second dimension relates to the locus of analysis as a referent in ethical decisions. They based the first dimension on three moral philosophies, namely egoism14(concern for self-interests), 6 benevolence (concern for greatest utility of greatest number of people), and principle (concern for following rules and principles).22The second dimension is based on sociology referent theory. They defined locus of analysis as individual, local (corresponds to organisation) and cosmopolitan (corresponds to society), and developed a nine theoretical ethical

climate type typology by combining these two dimensions. The ECQ is thus multidimensional in terms of the nine hypothesised ethical climates (Cullen, Victor & Bronson, 1993). The items of the ECQ composing the instrument 27were written to capture nine ethical climate types. The ECQ 11did not "focus on whether the respondent believed he or she did not behave ethically nor did it emphasize whether the respondent saw the ethical climate as good or bad" (Victor & Cullen, 1987:58). Table 1 below represents the 29cross-tabulation of the two dimensions resulting in the nine hypothesised ethical climate types with the respective ECQ item numbers in brackets. TABLE 1: ETHICAL CLIMATE TYPOLOGY (ADAPTED FROM VICTOR & CULLEN, 1987:56) 70ETHICAL CRITERIA LEVEL OF ANALYSIS Individual Local Cosmopolitan Egoistic 1. Self-interest (16;17;18) 2. Company interest 3. Efficiency (6;7;22) (19;20;21) Utilitarian / 814. Friendship 5. Team play 6. Social responsibility Benevolence (3;4) (1;2) (5) Principle / Deontology 7. Personal morality (23;24;25;26) 8. Rules and procedures (12;13;14;15) 9. The law or professional codes (9;10;11) The ethical criteria (which are based on 3Kohlberg's theory of moral development) include egoism, benevolence or utilitarianism, and principle or deontology, whereas the individual, local or cosmopolitan levels are part of the locus of analysis. Egoism is the desire to maximise one's own interest. Benevolence relates to the desire of not only maximising one's own interest but also others, meaning that it maximises jointed interest. Principle 75is the desire to do the absolute

right thing regardless of the outcomes of the actions, meaning deontology is not interested in whose interests are affected by doing the right thing (Yener, Yaldiran & Ergun, 2012). The 3locus of analysis refers to the main referent group that identifies "the source of moral reasoning used for applying ethical criteria to organisational decisions and/or the limits on what would be considered in ethical analysis of organisational decisions" (Victor & Cullen, 1988:105). The individual and local loci of analysis identify the sources of ethical reasoning within the individual and the organisation respectively, with the cosmopolitan outside the organisation. The intersect 60section of the two dimensions forms a 3 X 3 matrix comprising nine types 23of ethical climates, namely self-interest, company profit, efficiency, friendship, team interest, social responsibility, personal morality, rules and standard operating procedures, and laws and professional codes (Yener et al., 2012). 93Cullen et al. (1993) refined the ECQ, to investigate the presence of these nine a priori ethical climates and added 10 items to the original ECQ scale. An empirical study of the items involving the ECQ identified six ethical climate types (Victor & Cullen, 1987). Using a different sample on the upgraded version of the ECQ, 47Victor and Cullen (1988) identified five climate types, namely caring, law and code, rules, instrumental, and independence. A brief description of the five climates is presented below, with examples of the typical items associated with the respective types: i. Caring

relates 2to the degree to which the environment may be characterised by employees who are genuinely interested in the well-being of each other25("What is best for everyone in the organisation is the major consideration here"); ii. Law and code relates 2to the degree to which employees adhere stringently to their professional code of practice and government laws 37("People are expected to comply with the law and professional standards over and above other considerations"); iii. Rules relates to49the degree to which employees stringently follow the rules and mandates of their organisation or business unit ("It is2very important to follow the organisation's rules and procedures here"); iv. Instrumental relates 2to the degree to which employees look out for their own self-interest14("In this organisation, people protect their own interests above all else"); v. Independence refers 2to the degree to which employees would be expected to be guided by their personal moral beliefs2("In this organisation, people are expected to follow their own personal and moral beliefs"). These five ethical climate types of the ECQ have become the norm in ethical climate research and appear regularly in a variety of empirical studies (Martin & Cullen, 2006; Yener et al., 2012). Having said that, it must be noted that Shacklock et al. (2011) claim that the 2diversity in patterns of ethical climate types across different

populations and studies is not unexpected and should contextually be analysed. They argue that the pattern (and unique composition) of 2relevant climate types will vary between organisations in different industries and between different types of organisations within an industry. The 26-item 11version of the ECQ was used in this study. The reason for selecting the shortened version of the ECQ (26 items instead of the 36-item format) was based on Fritzsche's (2000) assertion that the 26-item format yielded more factors (ethical climate types) that are 27interpretable without losing the essence of the factors from the larger scale used 43by Victor and Cullen (1988). The ECQ was presented on six -point Likert scale, ranging from 0 (completely false) to 5 (completely true). The rationale for each item of the ECQ was that it would determine 52how accurately each of the items described the general work climate of the respondents. The maximum score for ECQ (all 26 items) is 130 and the minimum score is 0. In terms of the total score (out of 130), a high score and low score indicates 15high levels of ethical climate and low levels of ethical climate respectively. The same is true for the five ethical climate types, where a high score indicates 77the relative predominance of that ethical climate type, compared to the others. 34Victor and Cullen (1988) reported that there is evidence of acceptable reliability of the instrument. 68With the

exception of low relaibilty of the independence scale whose alpha was 0. 65, the measures have satisfactory reliabilties ranging from 0.73 to 0.81 which is above the general acceptable norm of 0.70 (Tabachnick & Fidel, 2007). Correlations between the scales (five ethical climate types) ranged between .00 and 0.47 (Victor & Cullen, 1988). This is an indication of 61a moderate degree of independence between the scales, with the exception of the relationship between the professionalism climate scale and the other scales. The remaining scales displayed reasonably low levels of intercorrleation with r's from 0.37 to .00. Victor and Cullen (1988) found 17evidence of convergent validity in the parameter estimates and t-values of the ECQ. The parameter estimates were high in value and the t-values were statistically significant (greater than 2.0), meeting the criteria for convergent validity. RESEARCH DESIGN Research approach 80This study employed a typical empirical paradigm using a cross-sectional design and quantitative analysis. Surveys were used as data generation technique. Leedy and Ormrod (2014) highlighted the fact that a cross-sectional design involves sampling and comparing people from several different demographic groups. This approach enables the researcher to collect the required 84data at the same time. The study reported in this article formed part of a larger ethics research focus area, consisting of the primary researcher (the author) and 21 students completing their research reports for the degree 56Master's in Business Leadership (MBL) at the 56Unisa Graduate School of Business Leadership (SBL) in 2015. Ethical clearance for the total research focus area 88was granted by the SBL's research ethics committee

on the 13th of March 2015 (reference number: 2015_SBL_001_CA). Research 35participants The population (N) consisted of employees of 21 organisations in South Africa, with 60 employees per organisation selected randomly by the participating students. The characteristics of the participants in terms of the three relevant demographical variables, namely sector, race and gender, 9are reported in Table 2. TABLE 2: CHARACTERISTICS OF THE SAMPLE (N = 1 260) Category n Per cent Cumulative Percentage Sector Private 1 020 81.0 81.0 Public 240 19.0 100.0 Race African 603 50.2 50.2 Coloured 96 8.0 58.2 White 374 31.1 89.3 Indian 129 10.7 100.0 Gender Male 704 58.1 58.1 Female 507 41.9 100.0 The total sample consisted of 1 260 respondents, with 81% (1 020) from the private sector and 19% (240) from the public sector. 38In terms of race, the majority of the participants were African (50.2%), followed by white (31.1%), Indian (10.7%) and coloured (8.0%).The representation of the gender groups was slightly higher for the male group with 58.1% compared to that of 41.9% of the female group. The 15average age of the respondents was 37.26 years, and the average tenure in the specific organisation was 7.24 years 9Statistical analysis The statistical analysis was conducted with the use of Statistical Package for the Social Sciences (SPSS), version 23. 87To determine the most appropriated factor structure of the ECQ, exploratory factor analysis was conducted (technically reference is made to factors, but should be read as ethical climate types throughout the methodology and results section of this article). 1Factor analysis is often used in scale

or test development and evaluation. Factor analysis is a technique intended to reduce the number of variables to a smaller subset of variables based on variability in the patterns of correlations (Pallant 2013). The decision regarding the number of variables (factors) to be retained was based on the Kaiser criterion (eigenvalue of 1 or more), together with the scree plot (with specific reference to the shape of the curve) and lastly the Monte Carlo PCA for parallel analysis. An orthogonal rotation, and specifically Varimax rotation, was conducted, because of the inherent nature of a typology, where it is assumed that the factors (in this case the ethical climate types) are distinct and independent variables. Varimax attempts to maximise the dispersion of loadings within factors. Therefore, it intends to load a smaller number of variables highly onto each factor resulting in more interpretable clusters of factors (Tabachnick & Fidell, 2007). A very important criterion when deciding on the use of factor analysis is the number of respondents as well as the ratio between items and respondents (Hair, Black, Babin & Anderson 2010). The general opinion of Meyers, Gamst and Guarino (2013) is that the number of respondents should not be fewer than 200. Hair et al. (2010) regard five items per respondent as the lower limit. Both Hair et al. (2010) and Meyers et al. (2013) indicate that the decision on the cut-off value of the factor loading should also be based on sample size, with minimum

loading of 0.4 to 0.5 in a study with around 200 respondents. Cronbach's alpha coefficients were used to determine the validity and reliability of the constructs measured in the ECQ. Cronbach's alpha determines the internal consistency of a test or scale and is articulated as a number between 0 and 1 with adequate measuring values of Cronbach's alpha ranging from 0.70 to 0.95 (Tabachnick & Fidel, 2007). In order to determine the utility of the ECQ 96within the South African context, and specifically in terms of its structural equivalence between the private as well as public sector, 7target (Procrustean) rotation was used to determine the construct equivalence of the ECQ. After the9target rotation had been carried out, the factorial agreement was estimated using Tucker's coefficient of agreement (Tucker's phi).6Values higher than 0.95 are seen as evidence of factorial similarity, whereas values lower than 0.85 are taken to point to non-negligible incongruities (Van de Vijver & Leung, 1997).1RESULTS An exploratory factor analysis of the 26 items of the ECQ was performed on the data of 1 260 respondents. Prior to running the analysis with IBM SPSS, the data were screened by examining descriptive statistics on each item, inter-item

correlations, and possible univariate and multivariate assumption violations. From the initial assessment, all variables were found to be interval-like, variable pairs appeared to be bivariate, were normally distributed, and all cases were independent of one another. The relatively large sample size (1 260) contributed to an acceptable variable-to- case ratio (48 1:1). The Kaiser -Meyer-Olkin measure of sampling adequacy and the Bartlett's test of sphericity were performed to determine the suitability for factor analysis. The 100results are reported in Table 3.19TABLE 3: KAISER-MEYER-OLKIN MEASURE OF SAMPLING ADEQUACY AND BARTLETT'S TEST OF SPHERICITY Kaiser-Meyer-Olkin Measure of Sampling Adequacy 0. 91 Bartlett's Test of Sphericity Approx. Chi-square 16 930.91 df 325 Sig. <.001 42The Kaiser-Meyer-Olkin measure of sampling adequacy was 0. 90, indicating that the present data were suitable to conduct an exploratory factor 1analysis. Similarly, Bartlett's test of sphericity was significant at p< .001, indicating sufficient correlation between the variables to proceed with the analysis. The K1 rule was used in conjunction with the scree plot to determine the number of factors. The Kaiser's criterion focusing on

eigenvalues larger than one 1was performed and is reported in Table 4.

TABLE 4: EIGENVALUES LARGER THAN ONE AND EXPLANATION OF VARIANCE Component Initial Eigen values Extraction sums of squared loadings Rotation sums of squared loadings Total % of Cumulative53Total % of Cumulative Total Variance % Variance % 1 8. 23 31. 67 31. 67 8. 23 31. 67 31. 67 7.14 2 3.60 13.86 45.53 3.60 13.86 45.53 6.38 3 2.21 8.49 54.02 2.21 8.49 54.02 3.25 4 1.14 5.46 55.16 1.42 5.46 59.48 2.86 5 1.01 3.89 59.05 1.01 3.89 63.37 1.92 Five factors reported eigenvalues larger than one, 38with the first factor explaining 31.67% of the variance in the construct ethical climate, followed by 13.86%, 8.49%, 5.46% and 3.89% of factors two to five respectively. The total variance explained by the five factors is 59.05%. Cattell's 1scree test, which is focused on retaining the factors before the break (elbow rule) was performed and the results are reported in Figure 1. Fig. 1: Cattell's scree plot It is evident that the elbow flattens off after the 4th factor. The Monte Carlo parallel analysis simulation technique was utilised to determine the number of factors that account for more variance than the components derived from random data. The eigenvalues obtained from the actual data are compared to the eigenvalues obtained from the random data. If the actual eigenvalues from the principal component analysis from the actual data are greater than the eigenvalues from

the random data, the factor is retained. The results are reported in Table 5.

TABLE 5: RESULTS OF THE MONTE CARLO PARALLEL ANALYSIS Component Actual Criterion value from Decision number eigenvalues from parallel analysis PCA 511 8.24 1. 27 accept 2 3.60 1. 23 accept 3 2.21 1. 20 accept 4 1. 14 1. 18 reject 5 1.01 1.15 1reject The results of the Monte Carlo parallel analysis yielded a three -factor model. The three factors accounted for 54% of the total variance (see Table 4).

The64results of the correlational analysis (Pearson correlation) are reported in Table 6. TABLE 6: CORRELATIONS BETWEEN EXTRACTED FACTORS F1 F2 F3 46F1 Pearson Correlation 1 Sig. (2-tailed) N 1 239 F2 Pearson Correlation 0.13 1 Sig. (2-tailed)<.001 N 1 218 1 236 F3 Pearson Correlation -.02 0.31 1011 Sig. (2-tailed) 0. 39 <.001 N 1 227 1 228 1 247 The correlations between the pairs of factors were below 0.4 (between -0.02 and 0.31, with an average correlation of 0.15.), 1suggesting the appropriateness of an orthogonal rotation; thus, Varimax rotation was used. The structure coefficients from the Varimax rotation (with the distinct factors or ethical climate types) are presented 1in Table 7. TABLE 7: FACTOR LOADINGS (VARIMAX ROTATION) AND THE DESCRIPTIVE STATISTICS OF THE ITEMS Factor 1: Institutionalised ethics / ethical work environment Q # Description Mean SD Factor loading ECQ1 What is best for everyone

in the organisation 2.96 1.34 0.66 12**is the major consideration here.** ECQ2 **The most important concern is the good of all** 3.11 1.32 0.69 the 12**people in the** organisation **as a whole.** ECQ3 **Our major concern is always what is best for** 2.82 1.29 0.64 the other person. ECQ4 4**In this** organisation, **people look out for each other's good** ECQ5 ECQ6 **In this** organisation, **it is expected that you will always do what is right for the** customers **and** public. ECQ7 **The most efficient way is always the right way in this** organisation. **In this** organisation, **each person is expected above all to work efficiently.** ECQ8 ECQ9 **People are expected to comply with the law and professional standards over and above other considerations. In this** organisation, **the law or ethical code of** their profession is **the** major consideration. 2.74 1.27 4.06 1.04 3.26 1.37 3.83 1.19 4.14 .98 3.88 1.11 0.65 0.69 0.69 0.74 0.76 0.78 ECQ10 94**In this organisation, people are expected to** 4.11 1.03 0.77 31**strictly follow legal or professional standards.** ECQ11 **In this** organisation, **the first consideration is whether a decision violates any law. 3.** 90 1.14 0.68 ECQ12 ECQ13 2**It is very important to follow the organisation's rules and procedures here.** 4.17 1.02 0.77 66**Everyone is expected to stick by** organisation **rules and procedures. 4.** 15 1.03

0.74 ECQ14 ECQ15 2**Successful people in this organisation go by the book.** 3.20 1.33 0.67 2**People in this organisation strictly obey the organisation policies.** 3.34 1.21 0.73 Factor 2: Instrumental Q# Description Mean SD Factor loading ECQ16 12**In this** organisation, **people protect their own interests above all else.** 1.80 1.32 0.67 ECQ17 In this organisation, people are mostly out for themselves. 2.06 1.38 0.70 ECQ18 2**There is no room for one's own personal morals or ethics in this organisation.** 2.51 1.32 0.63 13**ECQ19 People are expected to do anything to further the** organisation's **interests, regardless of the consequences.** 2.85 1.46 0.61 ECQ20 People here 2**are concerned with the organisation's interests — to the exclusion of all else.** 2.29 1.28 0.48 ECQ21 2**Work is considered substandard only when it hurts the organisation's interests.** 2.41 1.37 0.62 ECQ22 63**The major responsibility of people in this** organisation **is to control costs.** 1.86 1.39 0.46 Factor 3: Personal morality Q# Description 67**Mean SD Factor loading** ECQ23 **In this** organisation, **people are expected to** 2.62 1.34 0.66 20**follow their own personal and moral beliefs.** ECQ24 **Each person in this** organisation **decides for themselves what is right and wrong.** 2.93 1.42 0.80 ECQ25 The 2**most important concern in this organisation**

is each person's own sense of right and wrong. 2.87 1.37 0.79 ECQ26 2In this organisation, people are guided by their own personal ethics. 2.82 1.41 0.75 The 1results of the factor analysis with regard to the ECQ are summarised in Table 7. A factor loading cut-off point of 0.5 for inclusion in the interpretation of a factor was used. All 26 items loaded on the three factors. F1: Institutionalised ethics (ethical work environment) has 15 items, F2: Instrumental had 7 items, followed by F3: Personal morality with 4 items. The 1communalities of the three factors, although not reported in Table 7, are in most cases relatively high (> 0.3). The only item that fell outside the original 3x3 matrix typology is item 1522, "The major responsibility of people in this organisation is to control costs", which was originally listed under Efficiency 36by Victor and Cullen (1988). The results of the exploratory factor analysis, however, allocated it under Company profit, and on face value, it belongs under the new factor Instrumental. The 1descriptive statistics as well as the internal consistency of each of the factors (ethical climate types) 1as assessed by coefficient alpha is shown in Table 8. TABLE 8: DESCRIPTIVE STATISTICS, CRONBACH'S ALPHA COEFFICIENT OF THE THREE FACTORS OF THE ECQ Range Minimum Maximum Mean SD Skewness Kurtosis α F1 4.93 0.07 5.00 3.58 0.85 -0.93 1.20 F2 5.00 0.00 5.00 2.26 0.85 0.22 0.20 F3 2.86 0.00 2.86 1.60 0.65 -0.11 -0.33 0.93 0.74 0.84 With: F1 = Institutionalised ethics (ethical work environment), F2 = Instrumental and F3 = Personal morality The 1descriptive statistics in Table 8 show that

the outstanding factor is F1 (Institutionalised ethics / ethical work environment), which is deduced from the high weighted mean score (3.58) with the lowest being that of Personal morality (1.60). The 1skewness and kurtosis values of the factors do not exceed the critical values of 2.00 and 7.00 respectively (West, Finch & Curran 1995), which is an indication that the data is normally distributed. F1 and F3 (Instrumental and Personal morality) reported a negative value on the skewness scale, with the skewness values ranging between -0.93 and 0.22, 1which is an indication that the distribution has relatively few small values and tails off to the left. The Cronbach's alpha coefficients of the factors are acceptable if the guideline of ? > 0.70 (Nunnally & Bernstein 1994) is applied. It would thus appear that the factors possess acceptable levels of internal consistency.2To examine how groups differ on each of the particular ethical climate types, post hoc comparisons (Scheffé test) 2were conducted. To summarise the pattern of relationships from the myriad of post hoc comparisons, Table 9 was produced using the following rules: If one of the three newly developed ethical climate types 2displayed a mean score significantly higher than the other two climate types on 55one of the five original ethical climate types as defined by Victor and Cullen (1988), then 2a value of 'High' for that ethical

climate type was assigned. Similarly, if newly developed ethical climate type displayed a mean score 2significantly lower than the other two ethical climate types, then it was assigned a value of'Low' for that ethical climate type. TABLE 9: PATTERN OF MEANS SCORES REPORTED BY THE THREE NEW ETHICAL CLIMATE TYPES ON 13VICTOR AND CULLEN'S (1988) ORIGINAL ETHICAL CLIMATE TYPES Climate type CARING LAW & (cluster) CODES F 1 F 2 RULES INSTRUMENTAL INDEPENDENCE High High High Mean 3.44 4.19 3.89 Low 2.17 -- 2.73 SD 0.82 Low Mean 2.12 0.69 0.76 -- -- 2.91 2.80 0.80 High 3.09 1.09 -- 3.04 SD F 3 Mean 1.16 1.30 1.31 Low Low 1.38 2.57 2.20 0.86 Low 1.48 1.28 High 4.10 SD 0.73 1.37 1.22 0.49 0.89 With: F1 = Institutionalised ethics (ethical work environment), F2 = Instrumental and F3 = Personal morality From Table 9 it is clear that the largest ethical climate type (in terms of its composition across the five original 39climates as defined by Victor and Cullen (1988) is F1 = Institutionalised ethics (ethical work environment). This 2ethical climate type may be typified simply as being high on Caring (M = 3.44; SD = 0.82), Law and Codes 72(M = 4. 19; SD = 0. 69) and Rules (M = 3. 89; SD = 0. 76), but low on Instrumental (M = 2.17; SD = .80). On the other hand, F2 = Instrumental may be described as being high on the original Instrumental dimension (M = 3.90; SD = 0.86) and low on Caring (M = 1.38; SD = 0.73). F3 = Personal morality measured high on Independence (M = 4.10; SD = 0.89) but low on Caring 58(M = 1.38; SD = 0. 73), Rules (M = 2. 20; SD = 1. 22) and Instrumental (M = 1.48; SD = 0. 49). The 73last step in the analysis was intended to determine the construct equivalence of the newly developed ethical climate types, by comparing the private sector with the public sector. The factor loadings of the private sector and public sector 7groups

were rotated to one target group. After target rotation had been carried out, the factorial agreement was estimated using Tucker's coefficient of agreement (Tucker's phi). The Tucker's phi coefficients for the two sector groups are reported in Table 10. TABLE 10: CONSTRUCT EQUIVALENCE OF THE 3 FACTOR SOLUTION (TYPOLOGY) OF THE ECQ (N = 1 260) Sector 41n Percentage Tucker's phi F1 Tucker's phi F2 Tucker's phi F3 Private sector 1 020 81% 1.00 1.00 1.00 Public sector 240 19% 1.00 0.99 1.00 With: F1 = Institutionalised ethics (ethical work environment), F2 = Instrumental and F3 = Personal morality 9Inspection of Table 10 confirms that the Tucker's phi coefficients for F1 = Institutionalised ethics (ethical work environment) and F3 = Personal morality (both with p(XiYi) = 1.00 and p(XiYii) = 1.00) and F2 = Instrumental (p(XiYi) = 1.00 and p(XiYii) = 0.99) were reported for both the private sector and public sector, suggesting acceptable structural or construct equivalence (factorial loadings of pooled group = Xi, private sector = Yi and public sector = Yii). It therefore supports the notion that the three factors are equivalent across the sectors because the 59factor loadings of the items on the latent factors are invariant across the two groups. DISCUSSION OF RESULTS In this study, the ethical climate scale (ECQ) 1based on the literature and previous studies by Victor and Cullen (1987, 1988) was validated and adapted to the South African context. Three factors (ethical climate types) with satisfactory psychometric properties were extracted, namely Institutionalised ethics (ethical work environment), Instrumental and Personal morality and are depicted in Table 11. TABLE 11: THE 3 FACTOR TYPOLOGY AND THE CORRECPONDING ITEMS THAT LOADED ON THE RESPECTIVE FACTORS ETHICAL 13THEORY LOCUS OF ANALYSIS Individual

Local Cosmopolitan Egoism INTRUMENTAL Efficiency Selfinterest (6;7) (16;17;18) Company profit (19;20;21; 22 [EC]) Benevolence Friendship (3;4) Social responsibility Team interest 5 (1;2) Principle Personal morality Company rules (23;24;25;26) (12;13;14;15) Laws and professional codes (9;10;11) The largest ethical climate type, named Institutionalised ethics (ethical work environment), is a composite ethical climate type, across all 40three ethical criteria (egoism, benevolence and principle) as well as the three loci of analysis (individual, local and cosmopolitan). This supports the notion of Arnaud (2010) that there is possibly not a clear distinction between the two dimensions (locus of analysis and ethical criteria) as initially intended by Victor and Cullen (1987, 1988). It comprises Friendship (individual locus of analysis) and Team interest (local locus of analysis) with egoism as ethical criterion, and 69Company rules and Laws and professional codes (local and cosmopolitan loci of analysis respectively) with Principle as the ethical criterion. All three the cosmopolitan locus of analysis dimensions, 71Efficiency, Social responsibility and Laws and professional codes, which resort under the egoism, benevolence and principle ethical criteria respectively, are factored into this composite dimension. The Institutionalised ethics (ethical work environment) climate type is therefore defined as a working environment with clearly defined and institutionalised ethics, where employees and management are genuinely interested in the well-being of each other as well as that of all stakeholders and customers, where all organisational (and individual) behaviour adhere stringently to their professional codes of practice and governance through disciplined and consistent following of the rules and mandates of the organisation in order to be efficient. The second ethical climate type is Instrumental and it relates 2to the degree to which employees focus on their self-interest and rests on the egoism ethical criterion, across the loci of analysis of individual and local. Because the ethical criterion is solely egoism, this ethical climate type relates to the maximisation of self-interest (for individuals) economic interest (for the organisation), with the decision maker seeking alternatives with consequences that most satisfy

his/her or the organisational needs (Parboteeah & Cullen, 2003). Since the loci of analysis are jointly individual and local it is regarded as a combined ethical climate type between self-interest and company profit for private organisations and organisational interest for the public sector. This 26ethical climate type can therefore be defined as the joint maximisation of organisational interest (including company profit for private sector organisations) and subsequently the interest of employees of the organisation. The last ethical climate type is Personal morality, which refers 2to the degree to which employees would be expected to be guided by their personal moral beliefs in making decisions. 86This ethical climate type is similar to the original Independence type of Victor and Cullen (1988) and is located on the initial 3X3 matrix 29on the principle ethical criterion and individual locus of analysis. The 3personal ethical beliefs and standards, to which this ethical climate type refers, are limited to principles and deontological considerations about ethical issues. The definition of this ethical climate type is the perceived degree of discretion (and independent ethical reasoning) that a decision maker has to apply to his or her personal ethical beliefs and morality within the organisational context. 57Employees are expected to follow their own personal and moral beliefs, to16decide for themselves what is right and wrong, guided by their own personal ethics. 50The results of this study confirm the construct (structural) equivalence of the ECQ for both the private and public sector in South Africa. It can therefore be deduced that the same constructs of

ethical climate were measured in the two 41groups (Van de Vijver & Leung, 1997).6No evidence was found for uniform or non-uniform bias of the items of the ECQ for sector groups. CONCLUSION, LIMITATIONS AND RECOMMENDATIONS “The 8scientific study of business ethics and ethics specifically, must meet high standards of conceptual and methodological rigour to help make sure it emerges as a mainstream management topic” Mayer et al. (2009:207). In order 83to contribute to the existing body of knowledge (which has been identified as lacking in the South African and African context), this empirical study, involving 1 260 participants across 21 companies in South Africa, sought to (i) provide a conceptual understanding of the construct ‘ethical climate’, and ethical climate measurement, (ii) develop a South African specific typology of ethical climate and (iii) 45test the equivalence of the newly developed factor structure (typology) between the public sector and private sector. The Ethical Climate Questionnaire (ECQ) (the 26-item version) was used. Many definitions of ethical climate were analysed, but because the ECQ is 98based on the definition and conceptualisation of ethical climate91by Victor and Cullen (1987, 1988), it was acknowledged that48ethical climate is defined in terms of shared perceptions of what ethically correct behaviour is and how ethical issues (including typical organisational 20practices and procedures that have ethical content) are handled in the organisation. The results of

the exploratory factor analysis yielded a three ethical climate type typology, with the three types being Institutionalised ethics (ethical work environment), Instrumental and Personal morality. The initial nine ethical climate type typology (Victor & Cullen, 1987) which was followed by the five type typology (Victor & Cullen, 1988) was used as a point of reference to structure, name and define the newly developed types. The definitions of the three types were formulated and are included 36in the discussion section of the article. All three the ethical climate types reported acceptable psychometric properties. A further significant finding of this study is that structural (construct) equivalence exists if this newly developed ethical climate typology is compared between the private and public sector. Recurrent limitations, as postulated by scholars conducting previous studies, should be highlighted. Firstly, there is no system to distinguish systematically between the sources, for instance, to compare top management's responses with those of their employees (Mayer et al., 2009). Secondly, it is acknowledged that the 5ethical climate framework was designed to capture formal, normative systems; however, a deeper understanding of ethical climate will emerge from analysing informal systems through triangulation as well (Webber, 2007). Lastly, the ECQ is based on self-reporting that may lead to method bias which might still be a reality, even with the assurance provided to participants during the briefing regarding anonymity as well confidentiality. Social desirability and subsequent response bias will always remain a concern and a limitation in studies like this (Fritzsche, 2000). The results of this study should be further analysed with the possible addition of the effect of membership to specific demographic groups, the determination of the consequences of the ethical climate types on organisational and individual behaviour and the determination of possible antecedents to ethical climate. Construct validity could also be analysed, by comparing the ECQ, and specifically this newly developed typology with other ethical climate instruments. The ECQ opens up possibilities for ethical climate research in Africa to establish a continental typology of ethical climate. 35In conclusion, this study could serve as a reference for the state of the perceived ethical climates in South African organisations, from 79both the private and

the public sector. This is seen as the major contribution of the study. Based on the results obtained in this study, it seems as if the ECQ is a suitable instrument for measuring ethical climates within the South African context. It might even be considered to be administered on a frequent basis and the scientific and diagnostic feedback be provided to, for instance, the ethics committees of organisations. The importance of the measurement and management of ethical climate is accentuated by Victor and Cullen (1987: 67) who argue that "even the phenomenon of corporate crime may be viewed as a function of the ethical climate in the firm". REFERENCES Arnaud, A. 2010. Conceptualizing and measuring ethical work climate. Development and validation of the Ethical Climate Index. Business and Society, 49(2): 345-358. Cullen, J., Victor, J.B. & Bronson, J.W. 1993. The Ethical Climate Questionnaire: An Assessment of its Development and Validity. Psychological Reports, 73(2): 667-674. DeConinck, J.B. 2011. The effects of ethical climate on organizational identification, supervisory trust, and turnover among salespeople. Journal of Business Research, 64: 617–624. Deshpande, S. P., Joseph, J. & Shu, X. 2011. Ethical Climate and Managerial Success in China. Journal of Business Ethics, 527-534. Fritzsche, D.J. 2000. Ethical climates and the ethical dimension of decision making. Journal of Business Management, 24: 125-140. Guerci, M., Radaelli, G., Siletti, E., Cirella, S., & Shani, A.B.R. 2015. The impact of human resource management practices and corporate sustainability on organizational ethical climates: an employee perspective. Journal of Business Ethics, 126: 325–342. Hair, J.F., Black, W.C., Babin, B.J & Anderson, R.E. 2010 Multivariate data analysis. a global perspective. 7th Edition. Boston: MA. Pearson. Huang, C., You, C. & Tsai, M. 2012. A multidimensional analysis of ethical climate, job satisfaction, organizational commitment, and organizational citizenship behaviours. Nursing Ethics, 19(4): 513–529. Hwang, J. & Park, H. 2014. Nurses' perception of ethical climate, medical error experience and intent-to-leave. Nursing Ethics, 21(1): 28-42. Leedy, P.D. & Ormrod, J.E. 2014. Practical research, planning and design (10th ed). New Jersey, NJ: Pearson Education Inc. Martin, K.D., & Cullen, J.B. 2006. Continuities and extensions of ethical climate theory: a meta-analytic review. Journal of Business Ethics, 69(2): 175-194. Mayer, D. M, Kuenzi, M., & Greenbaum, R. L. 2009. Making ethical climate a mainstream management topic: A review, critique, and prescription for the empirical research on ethical climate. In D. De Cremer (Ed.), Psychological perspectives on ethical behavior and decision

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