ORGANIZATIONAL CULTURE AND ETHICAL BEHAVIOUR: A STRATEGIC STANDPOINT

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ABSTRACT

What constitutes ethical behaviour lies in a “grey zone” where clearcut right versus wrong and good versus bad dichotomies may not always exist. This paper is an empirical study on organizational culture and ethical behaviour from a strategic standpoint. Its objectives were to determine if there is a significant relationship between organizational culture and ethical behaviour and if there is a significant relationship between organizational culture and employees’ values. The participants of the study were employees of selected public and private organizations in Lagos, Nigeria. The selection was through simple random sampling technique. The sample size was 92 respondents. Two (2) hypotheses were formulated and tested using regression analysis. Hypothesis one revealed that there is significant relationship between organizational culture and ethical behavior; the coefficient of determination ($R^2$) is 0.370. It shows that 37% of the variation or change in ethical behaviour is caused by variation in organizational culture. Hypothesis two also shows that the coefficient of determination ($R^2$) is 0.423. It means that 42.3% of the variation or change in employees’ values is caused by variation in organizational culture, which connotes that organizational culture has significant relationship with employees’ values. The study recommends that management should constantly review its organizational culture to be sure that it remains strong on the vision of the founders of the organisation, because organizational culture can be eroded as more people come into the organization with their various individual behaviours and values.

Key Words: Organization culture, ethical behaviour, strategic standpoint, employees’ values, leadership

INTRODUCTION

The integration of organizational culture through orientations, mentoring, trainings and development is vital and strategic in maintaining the implicit behavioural norms, role models, rituals, historical anecdotes and language that an organization is built on and known for.

Organizational cultures are complex combinations of formal and informal systems, processes and interactions (Cohen, 1993).

Formal organizational culture components are comprised of leadership, structure, policies, reward systems, socialization mechanisms and decision processes among other things. Informal culture components include implicit behavioural norms, role models, rituals, historical anecdotes and language (Trevino, 1990a; Cohen, 1993; Frederick, 1995; Schein, 2004; Trevino and Nelson, 2004).

Ethics is generally seen as a product of a so-
ciety’s culture which the members of a culture follow unconditionally and take it for granted, as they usually understand and follow the social requirements (Constantin, 2010). Geertz (1973) define culture as “systems of shared meaning and understanding”. Ethics is concerned not only with distinguishing between the dichotomies but also with the commitment to do what is right or what is good. As such, the concept of ethics is inextricably linked to that of values, enduring beliefs that influence the choices actors make from available means and ends (Uche, 2012).

Ethical behaviour represents that which is morally acceptable as “good” and “right” as opposed to “bad” and “wrong” in a particular context (Simms, 1992). The challenge of what constitute ethical behaviour lies in a “grey zone” where clear cut right versus wrong and good versus bad dichotomies may not always exist (Uche, 2012). Ethical behaviour, therefore, is acting in ways that are consistent with one’s personal values and commonly held values of the organization and society (Naran, 1992).

An ethical culture is associated with a structure that provides for equally distributed authority and shared accountability. It also has policies such as an ethical code of conduct that is clear, well communicated, is specific about expected procedures and practices, thoroughly understood and enforced (Trevino et al., 1999). In addition, incentive systems are deliberately and clearly tied to behaving in concert with the code of ethics and accomplishment of non-economic goals in addition to economic outcomes (Trevino and Weaver, 2001). Organizational culture encompasses salient issues like acceptable language in the workplace, health and safety policy, responding to customers’ complaints and inquiries, corporate social responsibility initiatives, internal fairness and justice, the core values in the vision, mission statement and corporate objectives of the organization as laid down by her founding fathers.

The informal elements of a cultural system are part of organizational behaviour, such as norms are consistent with the ethical standards or the code of conduct, mission and decision-making processes (Trevino and Brown, 2004). Consistent role modeling of such behaviour forms the basis for a strong culture where everyone understands what is appropriate for the company. Other elements of the organizational culture include the communication and belief in heroes and role models, along with myths and stories about how ethical standards of the organization have been upheld and revered by members (Trevino, 1990a). Organizational rituals, organizational language, symbols, colour, traditions are aspects of organizational culture that helps in shaping orientation and behaviour in work place from an organizational behaviour point of view.

The relationship between organizational culture and corporate performance has been the subject of abundant research in several fields, including strategic management, organizational behaviour, industrial and organizational psychology (Ojo, 2010). A number of research studies have attempted to link various attributes of organizational cultures to ethical behaviour (Trevino and Nelson, 2004; Frederick, 1995). However, empirical research on organizational culture and ethical behaviour in Nigeria has not received much attention. This study contributes to fill the gap. Thus the objectives of the study include the following:

To determine the relationship between or-
organizational culture and ethical behaviour.
To ascertain if there is a relationship between organizational culture and employees' values.

Statement of the Problem
Many executives, administrators and social scientists see unethical behaviour as a canker worm eating deep into the fabrics of the society in today's organizations. Many are concerned that Nigeria is faced with ethical crisis that is undermining our competitive strength (Shodipo, 2009). This crisis involves business-people, government officials, customers and employees. Especially worrisome is unethical behaviour among employees at all levels of the organization. For example, a study found that employees accounted for a higher percentage of retail thefts than did customers. The study estimated that one in every fifteen employee steals from his or her employer (Silverstein, 1989). This estimation of employee theft may be 'generous' in describing the depth of unethical behaviour in the workplace.

When an individual becomes unethical in the workplace and this individual exerts much influence in an organization, this becomes systemic and perpetuates to other members of the organization. Once this becomes systemic, the unethical behaviour does not only become an individual unethical behaviour but eventually an organizational problem (Condruz-Bacescu, 2011) which subsequently transcends to be part of the organizational culture.

Unethical behaviour shave the capacity to shape organizational behaviour in a bad way; employees who practice unethical behaviour would suffer indirect guilt and anxiety in the workplace even when nobody has reprimanded them. As Condruz-Bacescu, (2011) asserts, "unethical behaviour by some employees will eventually affect the performance of other employees in the workplace because they see the behaviours of other members who are acting unethically and will then believe that those behaviours are acceptable in the workplace".

Unethical behaviour breeds further unethical behaviour, which has the capacity to tarnish the overall integrity of the organization, affecting their goodwill and reputation in the eyes of the community and can ultimately see to the collapse of such organization. Therefore, the culture of organizations must be consciously and deliberately created by management to enshrine the type of ethical behaviour that will portray the organization positively as a serious competitive organization that will stand the test of time.

Literature Review
2.1 Theoretical Framework: Theory of Planned Behaviour
The theory of planned behaviour (Ajzen, 1991) has its roots in the theory of reasoned action (Ajzen and Fishbein, 1975), which was derived from psychology. Theory of planned behaviour models behavioural intentions depend on three factors: (1) attitude toward the behaviour; (2) subjective norms; and (3) perceived behavioural control. Bobek and Hatfield, (2003) noted that each of the determinants of behavioural intention is a function of an individual's salient beliefs.
The implication and relevance of the theory of planned behaviour to this study is that most behaviours are born out of intentions. Also, unethical behaviour is less likely to thrive in an organization where there are genuine threats of incrimination, punishments and other undesirable consequences to anyone found wanting. Thus, if an organizational culture of impunity and lawlessness is not created and encouraged, directly or indirectly in the workplace, employees' behaviour will likely tend toward ethical norms, positive attitude towards work and rules, good values and improved beliefs, with behavioural control, irrespective of their personal inherent inclination to engage in unethical practices.

2.2 Organizational culture

Organizational culture can be referred to as a set of values, beliefs and behaviour patterns that form the core identity of organizations and help in shaping the employees' behaviour (Deal and Kennedy, 1982; Jones, 1983; Schein, 1992; Kotter and Heskett, 1992; Pheysey, 1993; Van der Post, 1998; Deshpande and Farley, 1999). Organizational culture also acts as a cognitive map that influences the way in which the context is defined; for it provides the selection mechanisms or norms and values which people enact events (Jones, 1983). It is also a pattern of beliefs, symbols, rituals, myths, and practices that have evolved over time in an organization (Pheysey, 1993). Organizational culture is also the dominant values espoused...
by an organization or a set of values and assumptions that underlie the statement: “this is how we do things around here” (Deal and Kennedy, 1982; Quinn, 1988).

According to Van de Post et al (1998), culture is to the organization what personality is to the individual. It is a hidden but a unifying force that provides meaning and direction. It is also a system of shared meanings, or systems of beliefs and values that ultimately shapes employee behaviour. Schein (1992) defines organizational culture as a pattern of basic assumptions invented, discovered or developed by a given group as it learns to cope with its problem of external adaptation and internal integration. These values are then taught to new members in the organization as the correct way to think and feel in relation to those problems. Schein (1999) sees culture as the sum total of all the shared, taken for granted assumptions that a group has learned throughout its history. Also, culture is determined to be the residue of success. Culture is also the structure and control system to generate behavioural standards (Rashid, Sambasivan and Johari, 2003).

According to Scholz (1987), organizational culture has to be kept strictly apart from similar looking concepts like the corporate identity, organizational climate or the national culture. Organizational culture is the implicit, invisible, intrinsic and informal consciousness of the organization which guides the behaviour of the individuals and which shapes itself out of the behaviour.

2.3 Organizational Culture and Ethical Behaviour

The ethical climate of an organization is the shared set of understanding about what a correct behaviour is and how ethical issues will be handled. This climate sets the tone for decision making at all levels and in all circumstances. Some of the factors that may be emphasized in different ethical climates of organizations are “personal self-interest, company profits, operating efficiency, individual friendships, team interests, social responsibility, personal morality, rules and standard procedures, laws and professional codes (Hunt, 1991; Schneider and Rentsch, 1991).

As suggested in the above list, the ethical climate of different organizations can emphasize different things. The ethical climate supported in doing the right thing due to social responsibility, regardless of the cost. In other organizations, perhaps too many concerns for operating efficiency may outweigh social considerations when similarly difficult decisions are faced. When the ethical climate is not clear and positive, ethical dilemma will often result in unethical behaviour. In such circumstances, an organization’s culture also can predispose its members to behave unethically. For example, Baucus and Near (1991) find a relationship between organizations with a history of violating the law and continued illegal behaviour. Thus, some organizations have a culture that reinforces illegal activities. In addition, some firms are known to selectively recruit and promote employees who have personal values consistent with illegal behaviour; forms also may socialize employees to engage in illegal acts as part of their normal job duties. Conklin and Geis(1997) in their account of cases concerning price fixing for heavy electrical equipment noted that General Electric removed a manager who refused to discuss prices with a competitor from his job and offered his successor the position with the understanding that management believed he would behave as expected and
between organizational culture and employees' values.

### Methodology

#### 3.1 Participants and Procedure

A survey research design was adopted for the study. The sample of study consisted of 120 respondents who are employees of selected public and private organizations in Lagos, Nigeria. The selection of participants for the study was through simple random sampling technique which gave equal chance to employees of the selected organizations of being selected for the research without discrimination, since issues of organizational culture and ethical behaviours central to all employees irrespective of status, position and management level. Also, the justification for using random sampling technique is that it eliminates the possibility that the sample is biased by the preference of the individual selecting the sample (Bordens and Abbott, 2002). The survey was carried out with the help of field research assistants. 92 respondents finally participated in the study, which represented 76.7% response rate. Among the respondent, 45.5% was male and 54.5% female. Majority of the respondent are in the middle age which is between 25 to 40 years (62.3%). 64.5% has been working with the organization for more than 5 years and 36.6% have been working less than 5 years. Majority of the respondent have first degree (54%), while those with master's degree are 12% and 34% with OND/NCE/Diploma qualification.

#### 3.2 Research Instrument

The research instrument employed in this study was the Ethical Culture Questionnaire (ECQ), designed by Trevino et al (1995) and modified by Key (1999), which comprises components of organizational culture and ethical behaviour in the workplace. Key, engage in price-fixing activities. Thus, pressure, opportunity and predisposition can all lead to unethical activities. However, organizations must still take a proactive stance to promote an organizational culture of ethical behaviour. There are mixed opinions regarding the factors which determine ethical behaviour in organization. Leonard, Cronan and Jones (2004) find some of the indicators of ethical behaviour as:

i. Personal normative beliefs and organizational goal.

ii. Organizational ethical climate and organizational culture

iii. Organizational scenario (situations)

iv. Group loyalty

v. Leadership traits and effectiveness.

They also opined that factors affecting ethical intentions are situational and depends upon the ethical dilemma-situations in which employees are required to differentiate between right and wrong and good and bad actions. Leonard, Cronan and Jones, (2004) also included environmental variables, individual characteristics, moral obligation, awareness of consciousness and ethical scenario/issue as significant indicators of whether a person's behaviour was judged as acceptable or not with emphasis on moral obligation or awareness of consequences.

In view of the above discussion, the following hypothesized relationships are tested:

**H01:** There is no significant relationship between organizational culture and ethical behaviour.

**H02:** There is no significant relationship between organizational culture and employees' values.
Results and Discussion of Findings

The questionnaire was analyzed and hypotheses earlier formulated were tested using regression analysis.

Hypothesis One:

$H_1$: There is a significant relationship between organizational culture and ethical behaviour.

(1999) argues that the Ethical Culture Questionnaire (ECQ) measures individual perception of an organization’s ethical culture. The questionnaires have been validated several times in empirical research (Gibson and Frakes, 1997; Key, 1999; Trevino et. al., 1998). The Crobach’s alpha for the scale was 0.839, which is above the 0.70 level recommended by Nunnally (1978) and Sims (2000).

Table 1: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.608a</td>
<td>.370</td>
<td>.363</td>
<td>1.03488</td>
</tr>
</tbody>
</table>

Predictor: (Constant) Organizational Culture

Table 1 shows that the value of $R^2$ square is .370 which is the explained variance in the dependent variable (ethical behaviour) by organizational culture. This coefficient of determination ($R^2$) shows that 37% of the variation or change in ethical behaviour is caused by organizational culture. While the remaining 63% unexplained variation is due to other variables outside the regression model. Thus, the value of $R = .608$ shows that the model fit and is quite acceptable value for acceptance of the model.

Table 2: ANOVA

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>56.525</td>
<td>1</td>
<td>56.525</td>
<td>52.779</td>
<td>.000b</td>
</tr>
<tr>
<td>1</td>
<td>Residual</td>
<td>90</td>
<td>1.071</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>152.913</td>
<td>91</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Ethical Behaviour
b. Predictor: (Constant) Organizational Culture

Table 2 shows that the F statistic 52.779 is significant at .000 which shows the fitness of the model. Therefore, organizational culture is a strong predictor of ethical behaviour.

results revealed that the level of significant
in the tested hypothesis one is significant,
which implies that there is positive relation-
ship between organizational culture and
ethical behaviour.

The findings revealed that organizational
culture is a strong predictor of ethical beha-
viour and management of the sampled
organizations pay attention to their organ-
izational culture and as such leading to
ethical behaviour in the workplace. The
results revealed that the level of significant
in the tested hypothesis one is significant,
which implies that there is positive relation-
ship between organizational culture and
ethical behaviour.

Hypothesis Two

H2: There is a significant relationship between organizational culture and employees’
values.

Table 4: Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R Square</th>
<th>Adjusted R Square</th>
<th>Std. Error of the Estimate</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.650a</td>
<td>.423</td>
<td>.417</td>
<td>.81746</td>
</tr>
</tbody>
</table>

Predictor: (Constant) Organisational Culture

Table 4 shows that the value of R square
is .423 which is the explained variance in
the dependent variable (employees’ values)
by organizational culture. This coefficient of
determination (R²) shows that 42.3% of the
variation or change in employees’ values is
caused by organizational culture. While the
remaining 57.7% unexplained variation is
due to other variables outside the regression
model. Thus, the value of R= .650 shows
that the model fit and is quite acceptable
value for acceptance of the model.

Table 5: ANOVAa

<table>
<thead>
<tr>
<th>Model</th>
<th>Sum of Squares</th>
<th>Df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regression</td>
<td>44.075</td>
<td>1</td>
<td>44.075</td>
<td>65.956</td>
<td>.000b</td>
</tr>
<tr>
<td>Residual</td>
<td>60.142</td>
<td>90</td>
<td>.668</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>104.217</td>
<td>91</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

a. Dependent Variable: Employees’ Values
b. Predictor: (Constant) Organisational Culture
Table 5 shows that the F statistic 65.956 is significant at .000 which shows the fitness of the model. Therefore, organizational culture is a strong predictor of employees' values.

Table 6: Coefficients

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1.716</td>
<td>.332</td>
<td></td>
<td>5.161</td>
</tr>
<tr>
<td>1 ORG CULTURE</td>
<td>.661</td>
<td>.081</td>
<td>.650</td>
<td>8.121</td>
</tr>
</tbody>
</table>

a. Dependent Variable: Employees' Values

The findings revealed that organizational culture is a strong predictor of employees' values and management of the sampled organizations pay attention to their organizational culture and as such leading to good employees' values in the workplace. The results revealed that the level of significant in the tested hypothesis two is significant, which implies that there is positive relationship between organizational culture and employees values.

**CONCLUSION AND RECOMMENDATIONS**

The study focused on organizational culture and ethical behaviour in selected private and public organizations in Nigeria. The result of the findings indicated that organizational culture has a significant relationship with ethical behaviour and good employees' values. Thus, the behaviour of employees in an organization (public or private) is largely determined by the acceptable organizational norms, values, attitudes, rules and rituals.

The conclusion of this study aligns with Deal and Kennedy (1982) assertion that organizational culture both weak and strong have powerful and strategic influence on organizational behaviour but in strong cultures, everyone knows the goal of the organization and they are working towards them. Thus, in a strong culture, employees' goals are aligned with management's goals while in a weak culture; members' goals are counter to management's directives or perhaps simply scattered and divergent.

An organization with good records of ethical behaviour in the workplace and high employees’ values must have consciously and deliberately developed her organizational culture to uphold hard-work, diligence, honesty, integrity, fairness, equity, justice, rewards and recognition for excellence in the workplace within certain context and framework.

In conclusion, the behaviours and values of employees in organizations can be regulated by the organizational culture which are integrated and upheld in the organization. In a strong organizational culture, every member of the organization knows what is expected of them, aligns their individual behaviours with the values, standards and expectations.
It is recommended that management should constantly review the formal and informal components of the shared values, structures, policies, reward systems, socialization mechanisms and decision processes in the organization, to be sure that they stand and remains strong on the culture of the founders of the organisation, because organizational culture can be eroded as more people come into the organization with their various individual behaviours. Therefore, integration of organizational culture through orientations, mentoring, trainings and development is vital and strategic in maintaining the implicit behavioural norms, role models, rituals, historical anecdotes and language that an organization is built on and known for.

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