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Exploring Ethical Organizational Culture: Validation of Measurement Instrument in Lithuania

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Abstract

Ethical organizational culture as a social phenomenon has drawn scholars and organizations' attention after the global economic crisis in 2008 which, once again, proved the importance of the ethical component of organizational culture as a phenomena potentially accounting for organizational failures. A practical need for management of ethics in organizational culture calls for robust measurement instruments which could help to diagnose potential ethical risks and improve ethical dimensions of organizational culture. The paper presents results of explorative validation analysis of a measurement instrument for ethical organizational culture or the corporate ethical virtues model that was originally developed by Kaptein (2008). The model encompasses 8 virtues, i.e. clarity, congruency of supervisors, congruency of management, transparency, feasibility, discussability, supportability and sanctionability, by 58 item scale. Drawing on the argument that self-reported and ethics-related measurements can be highly sensitive to a socio-cultural context, we assume that a measurement instrument tested in a Dutch company may be differently handled in Lithuania. The results of validation by accomplishing factor analysis in a sample of 757 respondents in Lithuanian public organization show that the overall fit of the model is quite high; although some additional conclusions potentially describing socio-cultural context can be formulated.

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1. Introduction

The global economic crisis in 2008 proved again that ignoring ethical values and principles of sustainable development in business organizations' practices can have significant negative consequences to national economies and global development (Içke, 2011; Lewis et al., 2010; Ruiz-Palomino et al., 2013). This calls for attention to the ethical dimension of organization management, in particular, organizational culture which can have a significant effect on employees' behavior. For example, if an organization encourages risk-taking behavior, aggressive internal competition, reaching the objectives at any cost it may create an environment that accounts for deceptive, organizationally detrimental behavior and unsustainable performance in the long run. And on the contrary, research on the impact of an ethical context has indicated its positive effect on employee attitudes and behavior such as commitment or sensitivity to unethical actions (Treviño et al., 1998). These findings imply a necessity to measure the ethical dimension of organizational culture in organizational practice. As the construct of ethical organizational culture is very complex, there are few measurement instruments. One was developed by Treviño et al. (1998) in the 1990s, another rather wide-spreading one is the corporate ethical values model developed by a Dutch scholar Muel Kaptein (2008).

In this paper we explore the model of corporate ethical values (hereafter - CEV) as a measurement instrument of ethical organizational culture as we believe that highlighting of ethical virtues provides better capturing of ethical dimension of the organizational culture. The CEV model rests on a virtue-based theory of business ethics (Solomon, 2004) that has its roots in Aristotle's virtue ethics and considers certain characteristics, i.e. virtues as indicators of an ethical character. According to Kaptein (2008), the ethicality or virtuousness of an organization can be determined by the extent to which organizational culture stimulates them to act ethically and prevents them from unethical behaviour. The CEV model consists of eight virtues, i.e. clarity, congruency of supervisor, congruency of management, feasibility, supportability, transparency, discussability and sanctionability. Clarity refers to explicit expectations of an organization to employees that they act ethically. Congruency of supervisors and management refer to the role models that supervisors and management show to the employees. Feasibility is related to resources allocated by an organization so that employees would be able to follow the normative expectations. Supportability denotes organizational support and encouragement to follow the norms. Transparency is a degree to which consequences of employees' ethical or unethical behavior are perceived by employees themselves and their colleagues. Discussability concerns employees' opportunities to be open and sincere when facing of ethical issues and have a possibility to discuss them. The last virtue, sanctionability relates to the degree employees perceive that unethical behavior is punished in the organization.

2. Method

The empirical data were collected in one large public organization by a standardized questionnaire using an electronic survey in Lithuania (n=757) in end of 2013.

The CEV questionnaire that is meant for the measurement of ethical organizational culture (Kaptein, 2008) consists of 58 statements: clarity (10 statements), congruency of supervisor (6), congruency of management (4), feasibility (6), supportability (6), transparency (7), discussability (10) and sanctionability (9). The items were evaluated using Likert scale from 1 to 6, 1 denoting "strongly disagree" and 6 "strongly agree"; the possibility of "no answer" also was provided.

The data were analysed using SPSS 18.0 software. The methods for carrying out an explorative factor analysis were analogous with the ones originally used by Kaptein (2008): un-weighted least squares factorial analysis using different rotations to elucidate the best solutions.

4. Findings

The results of explorative factor analysis of the data collected in Lithuania revealed 8 dimensions of ethical organizational culture which simply repeated findings of Kaptein's (2008) study. In all the cases the dimensions of congruency (which can also be treated as one, encompassing supervisor and management), clarity, and feasibility could be obviously distinguished in Lithuanian data. Other dimensions, however, were not that clear in the loadings,

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