

Assessing the Validity of CEV Model in Measuring Ethical Organizational Culture in Banking Sector in Sri Lanka

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Cadbury (1992) refers corporate governance, as systems, structures and processes by which business corporations are directed, controlled and monitored. The success or failure of the corporate governance will depend not only on legal requirements but also on other ethical behavioural aspects and internal governance culture in the organization. There should be an environment within the organization to have a culture and behaviour that will strengthen the implementation of good corporate governance practices. A company should have specific principles and values related to their stakeholder commitment. These values are more important than a rule based approach. Kaptein (2008) has developed the CEV model which consists of eight virtues, namely; clarity, congruency of supervisor, congruency of management, feasibility, supportability, transparency, discussability and sanctionability.

The purpose of this study is to assess the validity of CEV model of Kaptein in measuring ethical organizational culture in a banking sector environment in Sri Lanka. A questionnaire was prepared based on the 58 scales of the CEV model and distributed among 50 employees of a leading private bank in Sri Lanka and out of them 40 were responded. This analysis is based on the data collected from those 40 participants. A five point Likert Scale ranging from (1) strongly disagree to (5) strongly Agree was used. Cronbach's Alpha coefficient Analysis was used in measuring the reliability, and KMO and Bartlett's tests were used to assess the convergent validity. CEV model has been found valid in measuring ethical organization culture with few modifications to the scales in Sri Lankan banking environment. Since this study has been made as a pilot study using only 40 participants of a particular organization in the banking sector there are certain limitations in this study. There is an opportunity for future researchers to use more data from different type of organizations and compare them to generalize the findings.

Key Words: Corporate Governance, Ethical Organization Culture, CEV model

INTRODUCTION

Cadbury (1992) refers Corporate Governance, as the systems, structures and processes by which business corporations are directed, controlled and monitored. Main body of knowledge of corporate governance is based on Agency relationship, (Jensen and Meckling 1976; Shleifer and Vishny, 1997) Stewardship and stake holder relationship (Williamson, 1975; Freeman, 1984), etc. Although numerous laws and regulations are imposed by relevant authorities to strengthen the Corporate Governance, still we are experienced with corporate scandals. In order to find the answer for a robust corporate governance mechanism we have to think ahead of traditional economist view and find out some ways and means beyond that thinking. It is evident that legal frame work imposing the corporations to comply with certain requirements, alone will not be a successful measure unless the corporations itself behave ethically from the top to the bottom of its organization. There should be a proper implementation mechanism and environment within the organization to have a culture and behaviour that will strengthen the implementation of good corporate governance practice.

Ethical aspect of corporate governance has been emphasized by several academics and researchers in this field. Cadbury suggests that corporate governance is a concept with implications for an organization's approach to corporate social responsibility and business ethics in addition to ensuring that regulatory responsibilities are fulfilled. Hermalin (2005) stated that corporate governance can be considered as a process that involves an environment of trust, ethics, and moral values of all the stakeholders. According to Collier and Roberts (2001) corporate governance is not just a function of finance or accounting. The success or failure of the corporate governance will depend not only on legal requirements but also on other ethical behavioural aspects and internal governance culture in the organization.

Ethical Organizational Culture (EOC)

Ethical organizational context, is represented by two constructs, i.e: ethical climate and ethical culture (Trevino and Weaver, 2003; Kaptein, 2008). Ethical climate is perceptions and aspects that determine what constitutes ethical conduct (Victor and Cullen, 1988), whereas ethical culture is those aspects that stimulate ethical conduct (Trevino and Weaver, 2003; Kaptein, 2008). As Rentsch (1990) described ethical culture is more concern about the organization and ethical climate pays more attention to individual's perceptions and feelings. In general, ethical culture encompasses the experiences, presumptions, and expectations of how the organization is preventing unethical behaviour and promoting ethicality (Trevino and Weaver, 2003). It is therefore

a subset of organizational culture, with formal (e.g. codes of ethics, reward systems) and informal (e.g. peer behaviour, ethical norms) systems that can promote either ethical or unethical behaviour (Trevino et al 1990) Ethical culture of an organization stimulates the positive behaviour and well-being of its members (e.g. Trevino et al., 1998; Kaptein, 2010; Huhtala et al., 2011) The logic behind the idea of focusing on ethical values as a means to impact employee ethical behaviour is that individuals can be expected to act in a manner consistent with the values in the organization (Hunt et al., 1989).

Trevino defined EOC as those aspects and conventions of organizational behaviour that either encourage the organization to operate in a sustainable way or deter it from doing so. He has defined EOC as “a subset of organizational culture, representing a multidimensional interplay among various “formal” and “informal” systems of behavioural control” (Trevino et al., 1998). When employees believe that policies and procedures regarding ethics are followed by managers and other individuals in the organization then higher ethical values exist. Managers might display these values by acting ethically themselves and by rewarding ethical behaviour and punishing unethical behaviour (Hunt et al., 1989; Jones, 1991). Working to create an enhanced level of ethical values can significantly impact the behaviour of individuals within the organization

Paine (1994) stated that the integrity approach to a firm’s thinking about business ethics and corporate responsibility to be deeper and broader than that guided by compliance. A code of ethics can be thought of as a set of moral principles or guidelines which govern behaviour and which enshrine a set of values and beliefs. If employees observe that management are behaving in an unethical manner, then staff ultimately end up following their lead. (Huhtala et, al (2013)

Ethical business cultures are "based on alignment between formal structures, processes, and policies, consistent ethical behaviour of top leadership, and informal recognition of heroes, stories, rituals, and language that inspire organizational members to behave in a manner consistent with high ethical standards that have been set by executive leadership" (Ardichvili et al.(2009)Corporate Ethical Values can also be displayed through more formal systems such as reward systems, policies, and codes. When employees believe that policies and procedures regarding ethics are followed by managers and other individuals in the organization then higher CEV exist. For example, managers might display these values by being concerned with the issues of ethics in their organization and by acting ethically themselves including rewarding ethical behaviour and punishing unethical behaviour (Hunt et al., 1989; Jones, 1991)

Ardichvili and Jondle (2009) defined Ethical Organization Culture (EOC) as a subset of organizational culture, signifying a multidimensional interplay among several formal and informal systems of behavior control that are capable of promoting ethical or unethical behaviour. There is evidence to suggest that leaders' ethical development is connected to organizational culture and socialization processes (Brown and Trevino, 2006). A strong ethical culture promotes structures and decision-making processes, which can support ethical choices in difficult leadership situations. Corporate ethical values have been shown to have a positive impact on person-organization fit, where, "individuals can feel more compatible with organizations that share their values when these values are ethical"(Andrews et al., 2011)

Existence of an ethically-oriented organizational culture could influence on the ethical behaviour of the members of the organization (Brien, 1998; Seligson and Choi, 2006; Sinclair, 1993; Smith and Drudy, 2008).According to Trevino et al. (1998) there is a positive relationship between ethical culture and ethical behaviour as well as ethical culture and organizational commitment. Kaptein (2011) stated that the influence of the ethical culture of organizations on employee responses to observed wrongdoing.

Huhtala et al. (2013) stated that ethical culture has a direct effect on the occupational well-being of managers and different dimensions of the ethical culture influence different forms of occupational well-being differently. There is an association between ethical leadership and ethical organizational culture. Ethical leadership has been shown to predict many positive outcomes Leadership is often mentioned as one of the most important elements of an organization's ethical culture (Trevino, 1990; Brown & Trevino, 2006). Leaders who are perceived as being able to create and support an ethical culture in their organizations are those who represent, communicate, and role model high ethical standards (Brown et al., 2005).

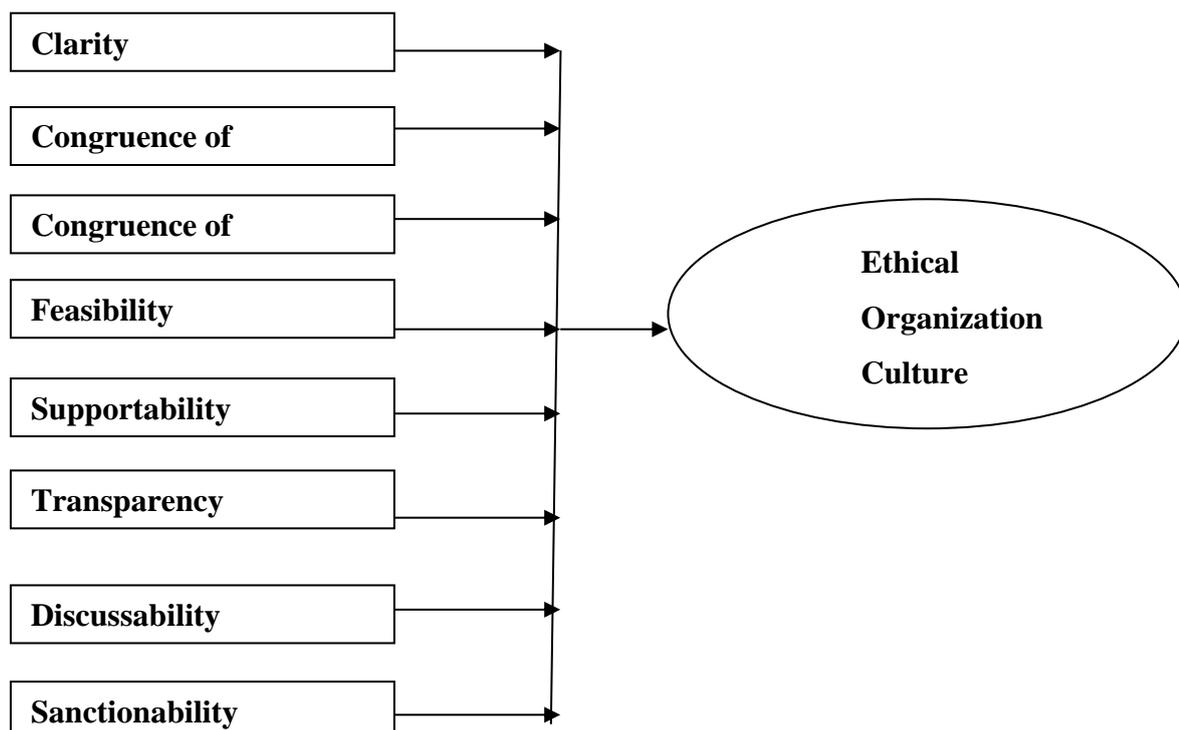
It is important to develop an ethical culture in an organization as it benefits individuals as well as the organization. This can be done by establishing ethical codes, providing training, informing clearly what kind of behaviour is acceptable, and establishing reward and punishment procedure etc. (Huhtala et.al (2013) Managers can develop their organizations' ethical culture by creating reward systems, ethical codes and norms (Weaver et al., 1999; Trevino and Weaver, 2003). A strong leader with a high level of cognitive moral development and who can influence employees is, therefore, able to act towards promoting an ethical organizational culture (Trevino and Weaver, 2003)

According to Brown (1992) organizational culture can be a powerful tool for improving performance and the key to organizational development and effective leadership. It is therefore important to assess the state of the organization's ethical culture and its effect on the organization.

The informal elements of a cultural system include norms for behaviour that are consistent with the ethical standards or the code of conduct, mission, and decision-making processes (Trevino & Brown, 2004). Leadership is often mentioned as one of the most important elements of an organization's ethical culture. Leaders who are perceived as being able to create and support an ethical culture in their organizations are those who represent, communicate, and role model high ethical standards (Brown et al., 2005). According to Hausman and McPherson (1993) ethical attitudes and behaviour play an important role in overcoming the potential market failure problems. Hunt and Vasquez-Parraga (1993) discuss the role of ethical culture in aiding ethical behaviour within the organization.

Kaptein (2008) approaches the ethical organizational culture through ethical virtues. He stated that both individuals and organizations should have certain features, virtues, which enable morally right behaviour for an organization to become ethical. Virtue ethics provides a theory for organizational culture by defining what kind of behaviour is morally right and worth pursuing. The Corporate Ethical Virtue (CEV) model developed by Kaptein (2008) described eight normative virtues which would promote the ethical culture of an organization.

Conceptual Framework



Dimensions of the Construct

A research made by Trevino and others (Trevino et al 1998) has found that there is a positive relationship with ethical action and employee behaviour. These findings indicate the necessity to measure the ethical dimension of an organization culture. Although there were constructs developed for ethical climate, Trevino is the first one who developed and tested a construct for ethical culture (Trevino 1998). They used fourteen items; six for sanction for ethical and unethical conduct, three for role modelling of top management, three for implementation ethics code and one for whether ethical behaviour is the norm.

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. Kaptein developed the corporate ethical virtue model (CEV model) which consists of eight virtues,

De Bode et al (2013) made an effort by developing a shortened version of the CEV model for use in ethics-related studies. By examining the shortened scale's validity and generalizability across multiple organizations in a different culture in United States. One goal of his study was to administer the CEV model to employees from multiple organizations to understand which facets of ethical behaviour were common across organizations and to assess the consistency of employees' perceptions across numerous organizations using a shortened version of the CEV model.

He demonstrated that an acceptable ethical organizational culture questionnaire comprised of 58 items could be shortened to 32 items. The shorter scale will allow diagnosticians to combine it with other questionnaires to facilitate a more comprehensive diagnosis (i.e., including ethical culture). Thus, the shorter length will likely make the instrument more attractive to practitioners and researchers who might shy away from longer diagnostic scales requiring more of their resources

Methodology

In our study we identify eight dimensions of ethical corporate culture based on the CEV model of Kaptein(2008) and developed our hypothesis. I prefer Kaptein's model rather than DeBode's model(2013) or Trevino's model (1998) as Kaptein's model covers a wider range compared to the other two. Eight dimensions identified in an ethical corporate culture are (i) clarity (ii) congruence

of Supervisor (iii) congruence of top management (iv) Feasibility (v) Supportability (vi) Transparency (vii) Discussability (viii) Sanctionability

- (i) Clarity refers to the extent to which an organization's expectations are clear to its employees that they behave in an ethical manner. When employees are left to their own discretion and moral intuition without a clear guidance or proper organizational frame of reference, the risk of unethical conduct is high.
- (ii) Congruency of Supervisors reflects the extent to which employees' immediate supervisor models appropriate ethical behaviour. Behaviour of immediate supervisor has a greater influence on ethical behaviour of subordinates.
- (iii) Congruency of Management refers to the extent to which the Board of Directors and senior management influence ethical workplace behaviour. Unethical conduct of employees is motivated by the example set by manager or board member engaging in unethical and prohibited conduct. This organizational virtue amounts to the moral requirement that managers should visibly act in accordance with ethical expectations.
- (iv) Feasibility refers to whether an organization creates working conditions that facilitate enabling employees to comply with accepted norms. If employees have little or no scope to realize their tasks and responsibilities, the risk of unethical conduct increases. Unethical conduct occurs when employees are lack of sufficient time, resources, information, and authority to fulfil their responsibilities.
- (v) Supportability denotes the extent to which employees are motivated to behave in accordance with their organization's ethical standards. Demotivated and dissatisfied staff is more likely to behave unethically. Employees who feel that they are not taken seriously or are not treated fairly might try to balance the scales of justice by deliberately causing damage to the organization.
- (vi) Transparency focuses on whether employees know the consequences of unethical behaviour and rewards for ethical behaviour. Employees can only be held responsible if they know the consequences of their actions. Employees who are hardly aware of the nature or seriousness of the consequences of their conduct are deprived of the opportunity to account for, modify or alter their conduct. This can lead to a situation where employees only focus on the action without regard for its consequences.
- (vii) Discussability concerns opportunities for employees to raise, discuss, and correct ethical issues and moral dilemmas at work. Unethical conducts by employees are caused by an organizational culture with a low level of discussability or debatability. In

such a closed culture, criticism is neither encouraged nor accepted. People close their ears and eyes to what they do not want to hear or see. If employees are expected to report, their work environment should be a secure place where moral issues can be raised without fear of being victimized.

- (viii) Sanctionability refers to the likelihood of employees being punished for behaving unethically and rewarded for behaving ethically. When managers fail to punish employees for engaging in unethical behaviour, the employees will think that unethical behaviour is acceptable or tolerable. Sanctions should be imposed not just for the sake of the perpetrator and victim, but also for the benefit of onlookers.

Scales

Based on Kaptein's model we used 58 scales and coded as follows:

Coding

Clarity (CL)

CL1: Clear instructions on conduct towards others in the organization

CL2: Clear instructions on obtaining proper authorization

CL3: Clear instructions on usage of company equipment.

CL4: Clear instructions on utilizing working hours.

CL5: Clear instruction on handling money and other financial assets.

CL6: Clear instructions on dealing with conflict of interest and side line activities.

CL7: Clear instructions on dealing with confidential information

CL8: Clear instructions on dealing with external persons and organizations

CL9: Clear instructions on dealing with environmental issues

CL10: Immediate environment provide clear instructions on conduct themselves

Congruence of Supervisor (CS)

CS1: Supervisor should set good example for ethical behaviour

CS2: Clear communication of importance of ethics should be given by supervisor

CS3: Supervisor should never authorize unethical or illegal conduct to meet business goals

CS4: Supervisor should do what he says

CS5: Supervisor should fulfil his responsibilities

CS6: Supervisor should be honest and reliable

Congruence of Board and Management (CM)

CM1: Conduct of board and top management should reflect shared set of norms and values

CM2: Board and top management should set a good example on ethical behaviour

CM3: Board and top management should communicate importance of ethics clearly.

CM4: Board and top management should never authorize unethical or illegal conduct to meet business goals

Feasibility

FC1: Employees should never be asked to do things that conflict with their conscience.

FC2: Employees should never be asked to sacrifice personal norms and values for the success of the organization

FC3: Employees should be given sufficient time to carry out their task responsibly.

FC4: Employees should be given sufficient information to carry out their task responsibly

FC5: Employees should be given adequate resources to carry out their task responsibly

FC6: Employees should never be put under pressure to break the rules.

Supportability

SP1: Everyone in the immediate working environment should be totally committed to the norms and value of the organization

SP2: There should be an atmosphere of mutual trust in the immediate working environment

SP3: Everyone in the immediate working environment should have the best interest of the organization in their heart.

SP4: There should be a mutual relationship of trust between employees and management in the immediate working environment.

SP5: Everyone in the immediate working environment should take the norms and standards seriously

SP6: Everyone in the immediate working environment should treat one another with respect.

Transparency (TR)

TR1: Manager should be able to find out if something not permitted is done by someone

TR2: Colleague should be able to find out if something not permitted is done by someone.

TR3: Someone should be able to find out if something not permitted is done by Manager.

TR4: If someone criticizes the others' action, there should be a response to that criticism

TR5: In the immediate working environment, there should be an awareness of potential violations and incidents

TR6: In the immediate working environment, there should be adequate checks to detect violations and unethical conduct

TR7: There should be a way to be aware by the management of the type of incidents and unethical conduct occurred in the immediate working environment

Discussability (DS)

DS1: Reports of unethical conduct should be handled with caution in the immediate working environment

DS2: Employees should be given an opportunity to express their opinion in the immediate working environment

DS3: There should be an adequate scope for the employees to discuss unethical conduct in the immediate working environment.

DS4: Reports of unethical conduct should be taken seriously in the immediate working environment

DS5: There should be an adequate scope for the employees to discuss moral dilemmas in the immediate working environment

DS6: There should be an adequate scope for the employees to report unethical conduct in the immediate working environment

DS7: There should be an ample opportunity for the employees to discuss moral dilemmas in the immediate working environment

DS8: There should be a respectful manner in calling to account for the conduct of employees

DS9: There should be an adequate scope to correct unethical conduct in the immediate working environment

DS10: There should be an opportunity to raise the matter elsewhere in the organization, if unethical matter reported does not receive adequate attention by the immediate working environment

Sanctionability (SA)

SA1: Employees should be accountable for their action in their immediate working environment

SA2: Ethical conduct should be valued highly in the immediate working environment

SA3: Only people with integrity should be considered for promotion in the immediate working environment

SA4: Managers should be disciplined if he behaves unethically, if necessary

SA5: The people that are successful should stick to the norms and standards of the organization.

SA6: Ethical conduct is rewarded in the immediate working environment

SA7: Employees should be disciplined if they behave unethically in the immediate working environment

SA8: Those involved in unethical conduct should be disciplined regardless of their position , if it is reported to the management.

SA9: Employees with integrity should be given a greater chance to receive positive performance appraisal than employees without integrity

Analysis and Results

A questionnaire was prepared based on the above scales and distributed among 50 employees of a leading private bank and out of them 40 were responded. This analysis is done based on the data collected from those 40 participants. A five point Lickert Scale ranging from (1) strongly disagree to (5) strongly Agree was used. Churchill (1979) and Parasuraman (1988) suggest that the validation of an instrument begins with Cronbach's Alpha coefficient Analysis. Therefore I have used the Cronbach's Alpha coefficient Analysis in measuring the Reliability As given in the table 1 The Cronbach's Alpha Value for the 58 items was .953. As the correlation of all the items are above.3, there was no item to be deleted.

Table1 : Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.946	.953	58

As the next step we used the Varimax rotation method to identify whether there are any item highly correlated to each other. The following table 2 depict that certain items are highly correlated to each other as highlighted.

Table 2 : Rotated Component Matrix^a

	Component													
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
CL4	.843													
CL3	.832													
CL9	.798													
CL7	.710													
SA1	.686													
TR6	.641				.471									
CM4	.512													
CL5	.508													
SA6	.500													
CS4		.843												
CS5		.798												
CS1		.777												
CS6		.740												
CS2		.729												
DS3			.834											
TR7			.817											
DS2			.773											
DS1			.642		.463									
DS6			.640											
DS8			.574											
SP2				.782										
SP3				.738										
SP1				.723										
SP5				.709										
SP6				.701										
SP4				.700										
CM2					.716									
DS4					.684									
CM3					.653									
SA8					.582									

Using the Varimax rotation method 12 items as highlighted in the table 2, have been identified as highly correlated to each other and these items have been deleted. They are CL8,FS5,TR6,DS1,DS5,DS7,DS9,SA2,SA3,SA5,SA7,SA9. Although 12 indicators are deleted there is no necessity to reduce the number of dimensions at this stage, as factor analysis itself has given 14 components which is far more than 8 dimensions given in our construct. After eliminating above 12 items reliability and validity were tested for eight factors. The reliability statistics of the data set was ensured with a Cronbach's Alpha value of more than .7, the reliability of the instrument was ensured in terms of consistency. Next step was to examine whether the deletion of any items could improve the Cronbach's Alpha value.

When ensuring construct validity Exploratory Factor Analysis with Principal Component Analysis should be carried out. To examine whether items in the scale measures the theoretical construct (Ethical Organization Culture) convergent and discriminant validity have to be ensured. If an item loads significantly $<.7$ on the factor, it is measuring the convergent validity is prevalent and if it ensures that no other items are measured by the concept discriminant validity could be established.

Reliability and validity of each factor is as follows

Factor 1: Clarity

Table 3: Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.845	.840	9

Table 4: Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
CL1	35.80	13.856	.494	.550	.836
CL2	35.45	15.228	.397	.344	.844
CL3	35.75	12.397	.770	.681	.805
CL4	35.85	11.721	.804	.706	.799
CL5	35.58	13.071	.630	.541	.822
CL6	35.65	14.746	.407	.427	.843
CL7	35.50	14.513	.410	.435	.844
CL9	36.45	11.279	.689	.652	.818
CL10	35.58	14.815	.457	.384	.840

The Cronbach's Alpha value for the 9 items included in factor 1 was .840. There was no item to be deleted and the values in the column labelled corrected item correlation are above .3. All items had strong loading on the construct, they were supposed to measure indicating unidimensionality and construct validity.

Factor 2: Supervisor Congruence

Table 5: Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.890	.885	6

Table 6: Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
CS1	22.17	7.122	.817	.814	.855
CS2	22.23	7.051	.727	.768	.867
CS3	21.75	9.064	.360	.334	.912
CS4	22.38	6.087	.808	.702	.856
CS5	22.28	6.666	.765	.737	.861
CS6	22.08	6.789	.789	.767	.857

The Cronbach's Alpha value for the 6 items included in factor 2 was .885. There was no item to be deleted and the values in the column labelled corrected item correlation are above .3. All items had strong loading on the construct, they were supposed to measure indicating unidimensionality and construct validity

Factor 3: Manager Congruence

Table 7: Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.818	.819	4

Table 8: Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
CM1	13.35	2.233	.720	.573	.731
CM2	13.13	2.420	.690	.548	.749
CM3	13.20	2.318	.709	.512	.738
CM4	12.98	2.692	.456	.223	.853

The Cronbach's Alpha value for 4 items included in factor 3 was .819. There was no item to be deleted and the values in the column labelled corrected item correlation are above .3. All items had strong loading on the construct, they were supposed to measure indicating unidimensionality and construct validity

Factor 4: Feasibility

Table 9: Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.763	.783	5

Table 10: Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
FC1	14.70	11.497	.774	.621	.642
FC2	15.60	11.221	.434	.269	.780
FC3	15.28	13.384	.470	.307	.740
FC4	15.00	12.308	.630	.523	.690
FC6	14.63	13.163	.454	.389	.745

The Cronbach's Alpha value for 5 items included in factor 4 was .783. There was no item to be deleted and the values in the column labelled corrected item correlation are above .3. All items had strong loading on the construct, they were supposed to measure indicating unidimensionality and construct validity

Factor 5: Supportability

Table 11: Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.912	.913	6

Table 12: Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
SP1	19.48	13.640	.766	.633	.895
SP2	19.30	14.677	.747	.606	.897
SP3	19.70	13.856	.775	.749	.893
SP4	19.45	14.767	.736	.703	.899
SP5	19.48	14.307	.739	.592	.898
SP6	19.35	14.541	.770	.618	.894

The Cronbach's Alpha value for 6 items included in factor 5 was .913. There was no item to be deleted and the values in the column labelled corrected item correlation are above .3. All items had strong loading on the construct, they were supposed to measure indicating unidimensionality and construct validity

Factor 6: Discussability**Table 13: Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.765	.838	6

Table 14: Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
DS2	20.68	8.276	.586	.710	.717
DS3	20.80	7.651	.721	.834	.682
DS4	20.48	8.512	.554	.499	.726
DS6	20.78	7.615	.720	.645	.682
DS8	20.75	8.192	.693	.584	.700
DS10	21.78	7.615	.722	.637	.884

The Cronbach's Alpha value for 6 items included in factor 6 was .838. There was no item to be deleted and the values in the column labelled corrected item correlation are above .3. All items had strong loading on the construct, they were supposed to measure indicating unidimensionality and construct validity

Factor 7: Sanctionability**Table 15: Reliability Statistics**

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.742	.762	4

Table 16: Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
SA1	11.77	5.307	.607	.406	.665
SA4	11.93	5.558	.514	.322	.704
SA6	12.60	4.041	.528	.347	.707
SA8	12.30	4.164	.585	.418	.656

The Cronbach's Alpha value for 4 items included in factor 7 was .762. There was no item to be deleted and the values in the column labelled corrected item correlation are above .3. All items had strong loading on the construct, they were supposed to measure indicating unidimensionality and construct validity.

Factor 8: Transparency

Table 17: Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.600	.638	6

Table 18: Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
TR1	18.90	7.015	.478	.828	.502
TR2	18.90	6.554	.572	.830	.459
TR3	19.02	6.589	.599	.756	.453
TR4	20.07	7.610	.211	.213	.610
TR5	19.40	8.041	.081	.181	.677
TR7	18.95	7.792	.234	.096	.595

Out of the 8 dimensions Cronbach Alpha of 7 dimensions are higher than .7 except in the case of "Transparency" which gives a value of .6. Therefore we have to look at the factor values given in the following table to eliminate the highest value. But in this case eliminating one value will not

give Cronbach value above .7, because the highest value given in the table is .677 (TR5.) Therefore we have to eliminate two items to get a Cronbach value higher than .7. So we have to eliminate the next higher loaded value also, that is .610 (TR4)

Table 19: Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
TR1	18.90	7.015	.478	.828	.502
TR2	18.90	6.554	.572	.830	.459
TR3	19.02	6.589	.599	.756	.453
TR4	20.07	7.610	.211	.213	.610
TR5	19.40	8.041	.081	.181	.677
TR7	18.95	7.792	.234	.096	.595

After eliminating those two values we get a Cronbach Alpha higher than .7 as given in the following table

Transparency

Table 20: Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.794	.802	4

Since new Cronbach alpha is above .7 reliability (internal consistency) of all the dimensions are assured.

Convergent Validity

This can be tested by using KMO and Bartlett's Tests. If KMO is $> .5$ and Bartlett's is $< .05$ we can accept the validity. Let us look at the following table which gives test results.

Table 21: Convergent validity of each dimension

Dimension	Kaiser-Meyer-Olkin Measure	Bartlett's Test of Sphericity
Calrity	.775	.000
Suoervisor Congruence	.679	.000
Manager Congruence	.775	.000
Feasibility	.745	.000
Supportability	.850	.000
Transparency	.751	.000
Discussability	.751	.000
Sanctionability	.687	.000

As KMO of all dimensions are above .5 and Bartlett's are less than .05 the validity is assured

Composite Reliability (CR)

The Composite Reliability indicates the reliability and internal consistency of a latent construct. A value of CR > 0.6 (Fornell & Larcker, 1981) is required in order to achieve composite reliability for a construct. Now we can calculate the composite reliability for each dimension based on the factor loading using the following formula

$$CR = \frac{(\sum fl)^2}{(\sum fl)^2 + \sum me}$$

Table 22: Composite Reliability of each dimension

Dimension	$(\sum fl)^2$	$\sum me$	$(\sum fl)^2 + \sum me$	CR
Clarity	35.2955	4.904	40.200	0.878
Supervisor Congruence	22.6766	2.089	24.765	0.916
Manager Congruence	10.3234	1.383	11.706	0.882
Feasibility	13.3079	2.279	15.586	0.854
Supportability	25.0801	1.819	26.899	0.932
Transparency	9.523	1.255	10.778	0.884
Discussability	19.4834	2.509	21.993	0.886
Sanctionability	9.3330	1.662	10.995	0.849

As CR of all the dimensions are greater than .7, Composite Reliability is assured.

Average Variance

The Average Variance Extracted indicates the average percentage of variation explained by the measuring items for a latent construct. AVE >0.5 (Fornell & Larker, 1981) is required for every construct.

$$\text{Average Variance Extraction (AVE)} = \frac{\sum(f^2)}{\sum(f^2) + \sum me}$$

Table 23 : Average Variance of each dimension

	Clarity	Supervisor Congruence	Management Congruence	Feasibility	Support -ability	Transparency	Discuss -ability	Sanction -ability
$\sum(f^2)$	4.0956	3.9114	2.6174	2.7215	4.1809	2.7449	3.4909	2.3379
$\sum(f^2) + \sum me$	9.000	6.000	4.000	5.000	6.000	4.000	6.000	4.000
AVE	0.455	0.651	0.654	0.544	0.696	0.686	0.581	0.584

.674 .806 .808 .737 .834 .828 .762 .764

AVEs of all are greater than .5 except for clarity, therefore reliability could be assured.

Assessing Discriminant Validity

Table 24: Pearson Correlations

		Clarity	Supervis Congrue	Manage Congrue	Feasi bility	Suppor tability	Transpa rency	Discuss ability	Sanction ability
Clarity	Pearson Correlation	1	.196	.391 [*]	.243	.464 ^{**}	-.011	.230	.543 ^{**}
supeCongrue	Pearson Correlation	.196	1	.548 ^{**}	.464 ^{**}	.451 ^{**}	.206	.500 ^{**}	.418 ^{**}
ManageCongr u	Pearson Correlation	.391 [*]	.548 ^{**}	1	.402 [*]	.440 ^{**}	.199	.596 ^{**}	.769 ^{**}
Feasibility	Pearson Correlation	.243	.464 ^{**}	.402 [*]	1	.394 [*]	.119	.359 [*]	.335 [*]
Supportability	Pearson Correlation	.464 ^{**}	.451 ^{**}	.440 ^{**}	.394 [*]	1	.228	.525 ^{**}	.435 ^{**}
Transparency	Pearson Correlation	-.011	.206	.199	.119	.228	1	.462 ^{**}	.235
Discussability	Pearson Correlation	.230	.500 ^{**}	.596 ^{**}	.359 [*]	.525 ^{**}	.462 ^{**}	1	.570 ^{**}
Sanctionabilit y	Pearson Correlation	.543 ^{**}	.418 ^{**}	.769 ^{**}	.335 [*]	.435 ^{**}	.235	.570 ^{**}	1

To assess discriminant validity, Pearson Correlation has been calculated for each dimension as given in the above table and compare with the square root of AVE. As Pearson correlation values for dimensions are lower than the square root of AVE of each dimension, Discriminant Validity is assured

DISCUSSION AND CONCLUSION

The purpose of this study is to assess the validity of CEV model of Kaptein in measuring ethical organization culture in banking sector in Sri Lanka. The CEV model is used to measure eight virtues, namely; clarity, congruency of supervisors, congruency of management, feasibility, supportability, transparency, discussability and sanctionability. Eight factors were tested using data gathered in a leading bank in Sri Lanka. The result of the factorial analysis of the scales made in this study was in line with the previous findings of Kaptein. The results of this study support the validity and reliability of the eight factor CEV model of Kaptein, with some modifications to the scales. In the tested environment the number of items has been reduced by 12 items as they are highly correlated as highlighted in the table 2 and thereafter reduced by another 2 items as indicated in table 19.

In analyzing the data in a banking environment in Sri Lanka, based on the factor loading in table 2, it has been identified congruence of supervisors, congruence of managers, discussability and supportability as clearly separable and consistent constructs as given in Kaptein's model. However, in Feasibility construct two items have been grouped with transparency (FC3) and sanctionability(FC2). Clarity has been split into two groups forming a new one (CL1, CL6, CL8, CL10) separated from others. In analyzing the items in this new group, it can be seen that they are mainly concerned with human behavior in interacting with people rather than dealing with physical or monitoring aspects of a bank. While two items of Transparency have been scattered between clarity (TR6) and discussability, (TR7) another two items (TR4, TR5) have been formed into a new grouping. Three items of Sanctionability (SA1, SA6, and SA7) have been grouped with the construct of Clarity. In considering the factors mentioned above, it is worthwhile to see the possibility of having 10 factors instead of 8 factors as given in Kaptein's model.

Since this study has been made as a pilot study using only 40 participants of a particular organization in the banking sector there are certain limitations in this study. It may be worthwhile to study a larger sample of data including data from state banks to obtain a more comprehensive analysis in the entire banking sector. Further, there is an opportunity for future researchers to use more data from different type of organizations from different industries and compare them to generalize the findings

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