

## **The Practice of Ethical Work Climate within Public Sector: An Organisational Culture Perspective**

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**Abstract:** Recently, compliance with the public regulatory law is one of the most challenging areas in most of developing countries. Where, ethical work climate is considered as predictor of regulatory compliance with public sector. In fact, paper aims to contribute to the existing knowledge on the business ethic and organisational culture through investigating the impact of Ethical Work Climate on Regulatory Compliance of public Uganda's public sector. A proposed conceptual model to achieve research aim was developed based on Victor and Cullen 1980's ethical orientation model applied within public organization. The field study was done using self-administered questionnaire from 64 organisations operating within Uganda's public sector. Quantitative approach was conducted followed by deductive strategy in order to achieve research aim. Correlation and regression analyses were used to test research hypothesis as well as answering research questions. Empirical findings show that of all variables under investigation are significant. Moreover, Benevolent/ Cosmopolitan Climate is considered as the most significant predictor of Regulatory Compliance within Uganda' public sector.

**Keywords:** *Business Ethics, Ethical Work Climate, Organisational studies, Organisational Culture, Uganda, Public sector, Developing countries.*

### **Introduction**

Ethical work climate is considered as one of the most significant factor affecting the regulatory compliance within public sector. Non-compliance with the procurement law could be attributed to the unethical culture and climate in Procurement and Disposing Entities (PDEs). The study will provide key insights on the importance of ethical work climates as well as ethical culture in as far as compliance with the public procurement law is concerned. Thus, research findings are expected to benefit various categories of people in the public sector. PPDA will definitely benefit since they are the regulatory body especially when conducting compliance audits in various PDEs. The study will also benefit institutions like Uganda Police Force (UPF) and the Inspectorate of Government while enforcing the relevant laws. The findings will also benefit most public institutions since most of them are involved in procurement of goods, works and services for public consumption. Lastly, the research will help the public institutions to improve on procurement staff professional relationships with procurement law enforcement authorities. On the other side, the findings of this study will be a very key source for secondary data on research problems related to Ethical Work Climate, Regulatory Compliance and public procurement at large. Both undergraduate and post graduate students will use the findings of this study to help them with their research in the above mentioned variables. Secondly, when published, this study will be a useful source for literature review for authors of academic journals and books in the disciplines or research areas of ethical work climate and public procurement.

## Literature Review

Today, almost all industries are regulated especially in the public sector; these include the banking, energy, insurance, communications, and medical devices among others. For example in the banking sector in America alone, 70 new studies by 11 different regulators were underway in late 2010 as well as 240 new rule making processes. There are continually new regulations to existing ones with much set of clauses and sub-clauses contributing to the creation of a dynamic and frequently changing compliance landscape. Regulations and standards come from many sources and are in many levels of mandate. Industry regulatory bodies, country and local governments, international and best practice standards are the major sources (Van Epps, 2012). According to Tsai and Huang (2007) public procurement is defined as being government's activity of purchasing goods and services in order to carry out its public functions. Where, Central governments across the world are in constant need of essential supplies of services such as education, health, military and defence among others; in order to meet the demand of these services from the public (Borry, 2011). On the other side, Walker and Brammer (2007) in their study mentioned three phases in public procurement, which include; deciding which goods or services to buy and when to buy them, this is referred to as procurement planning; the second phase is contract placement to acquire these goods and services and finally contract administration.

On the other hand, Government departments and agencies use public procurement as a strategy to acquire and deliver public supplies, works and services for the intended beneficiaries (the citizens) to help them solve some of their problems (Van Epps, 2012). This strategy occasionally creates more problems that would soon require further government intervention by way of public reforms. Before the independence of Uganda in 1962, public procurement was handled by the crown agents; these were procurement agents for the British Overseas Colonies (Wyser, 2009; Nawar, 2015). The procurement system in Uganda underwent several reforms because the government was losing huge sums of money in poorly managed procurement processes that cost the tax payer a lot of money (Eyaa & Oluka, 2011). The procurement reforms that were recommended in 2001 in Uganda in the Country Procurement Assessment Report (CPAR) recommended the enactment of the Public Procurement and Disposal of Assets Act which led to the Public Procurement and Disposal of Assets Act 2003 (PPDA Act 2003).

**Table 1: History of Public Procurement Reforms in Uganda.**

1964: Procurement was centralized and carried out by Crown Agents on behalf of government
1997: Public procurement reforms were initiated
2001: Introduction of the 2000 Regulations that decentralized public procurement
2003: Introduction of the Public Procurement and Disposal of Public Assets Act and Regulations
2006: Amendment of the LG Act and introduction of the LG (PPDA) Regulations
2012: The PPDA Act was amended

*Source: Tumutegyereize (2013)*

### **Ethical work climate.**

Ethical Work Climate can be defined as the shared perceptions of what ethically correct behavior is and how ethical issues should be handled within the organization (Victor and Cullen, 1988). In the same fashion, Ferrell et al (2010) defined work climate as the current perceptions of typical organizational practices and procedures that have ethical content. Ethical work climate vary from one company to another because of the differences in individuals, work groups, employment history and individual position. The ethical organizational context as seen by employees is supported by two constructs namely ethical

culture and work climate in business ethics literature (Trevino and Weaver, 2001). Ethical culture are all those aspects and elements of an organization or firm that influence the ethical conduct of its members (Tsai and Huang, 2007). Another definition of ethical culture of an organization provided by (Ferrell et al, 2010) follows that it (ethical culture) consists of several layers which include shared values and assumptions, formal norms, practices and routines and finally artefacts and symbols. On the other side, Organizations that strive for excellent in their business practices also tend to manifest a strong ethical culture. In order to ensure long-term viability, organizations must respond to both their economic and non-economic environments. This requires keeping high expectations for socially responsible and ethical behaviors. The ethical work climate is important indeed because workers need the ethical code and support to guide how to perform well in organization where they work. The ethical attitude must be institutionalized in organization (Borry, 2011).

According to Abd-El-Salam et.al (2015) stated that dimensions of ethical work climate varied from those in which ethical norms were seen as promoting a caring climate to others emphasizing laws and codes, rules, instrumentality, and independence (Crittenden, 1995). Five empirically derived dimensions or work climates are therefore described as: caring, law and code, rule, instrumentality, and independence (Victor & Cullen, 1988). It should be noted that organizations have distinct types of ethical work climates and there is variance in the work climates within organizations by positions, tenure, and workgroup membership (Wyser, 2009).

### **Regulatory compliance**

Regulatory Compliance could be defined as being complying with a set of rules such as specifications, policy, standards, guidelines or laws, determined specifically for that industry, organization or business (Claranet.co.uk). In Uganda, the procurement process follows steps according to the PPDA of 2003. These steps must be observed so that all the stakeholders involved in the procurement exercise obtain fair treatment. The steps include; planning for the required procurement over a given period, identifying the source of the items, highlighting specifications/initiation of procurement, determination of procurement procedure, Sourcing (soliciting) offers, evaluation of offers, post qualification, commencement of contract, contract performance (delivery) and management, record keeping and accountability, payment and post contract performance (PPDA, Act, 2003). Compliance with the procurement law is an area that needs attention in the face of increasing non-compliance in many countries (Odhiambo and Kamau, 2003).

Moreover, the procurement profession is still relatively new in Uganda and the regulations have only come into place only in 2003, it's very likely that the level of familiarity with the regulations is still low and even for those that know the regulations pretty well, they know how to beat the loopholes to their advantage (Eyaa and Oluka 2011). In a survey done by Gelderman et al. (2006) on compliance with European Union procurement directives, they confirmed De Boer and Telgen's (1998) view point that during the early days of the introduction of public procurement in Holland, many municipalities could not comply with the regulations simply because they were not familiar with them.

### **Ethical work climate and regulatory compliance**

Ethical work climates within organizations are of major concern to practitioners and researchers alike. This is explained by the fact that actions of organizations are scrutinized by employees, customers, the media, government, and the public (Sims and Keon, 1997). Likewise, individuals within organizations are observed and assessed on the behaviors they emit. Several research projects confirm the major impact of Victor & Cullen's five empirical ethical climates on employee behavior. For example, analysis of the relationship between organizational ethical climate and ethical behavior showed that instrumental ethical work

climate is positively linked to unethical behavior and that caring, law and code, and rules are negatively linked to unethical behavior (Deshpande *et al.*, 2000).

There is also unanimous agreement that an ethical climate of ‘caring’ reduces ethically dysfunctional behavior and in contrast, an ‘instrumental’ ethical climate leads to the opposite (Martin & Cullen, 2006; Tsai and Huang 2007; Ambrose *et al.* 2008).

In his study, Leung (2007) also observes a link between the ethical climate of ‘caring’ and identifying with the organizational goals. He adds that employees in the climate of ‘caring’ tend to follow organizational guidelines when executing their duties. The author confirms previous results in which Khuntia and Suar (2004) observe-with the help of factorial analysis-the emergence of two factors which have a significant impact on employees’ attitude and behaviour: a ‘caring’ climate that boosts personal values and an ‘independent’ climate that reinforces manipulation, cheating, and violation of organization norms.

The most recent research found that, employees in a law and code climate look to government rules or professional conventions to resolve dilemmas ethically (Borry, 2011). This increases the likelihood of compliance with the law. The cases of the literature reviewed show how different types of ethical work climate influence ethical decision making. However, it does not provide any critical analysis of what is happening in PDEs in Uganda. In terms of public procurement, Walker and Brammer (2007) examined how procurement in the United Kingdom has been able to be maintained at a certain desired level in the public sector entities. They found out that organizational culture plays a significant role in the sector of public procurement and that the effectiveness of public procurement depended on the positivity of ethical culture in all organizations surveyed.

Previous research on the relationship between organizational ethical climate and ethical behavior showed that instrumental ethical work climate is positively linked to unethical behavior and that caring, law and code, and rules are negatively linked to unethical behavior (Deshpande *et al.*, 2000; Markham *et al.*, 1997).

In another study, Borry (2001) evaluated how different dimensions of ethical work climate could predict rule bending. The results of a structural equation model show that the law and code climate is a significant predictor of rule bending: employees perceiving more law and code climate influences report less willingness to bend rules. One explanation could be that adherence to external laws and professional codes parallels one’s predisposition to adhere to rules and regulations in general, indicating that adherence to regulation is valued regardless of the source of the rule or law.

From the above motioned on the previous studies existing in the literature review, research hypothesis are:

H1: There is a significant association between Ethical Work Climate and regulatory compliance with Uganda’s public sector.

H1a: There is a significant association between social caring and regulatory compliance with Uganda’s public sector.

H1b: There is a significant association between Code and Law and regulatory compliance with Uganda’s public sector.

H1c: There is a significant association between Rules and policies and regulatory compliance with Uganda’s public sector.

H1d: There is a significant association between instrumentality and regulatory compliance with Uganda’s public sector.

H1e: There is a significant association between Independence and regulatory compliance with Uganda’s public sector.

## Methodology

In order to achieve the main objectives of the study and to test variables under investigations the researcher adopted positivistic research philosophy followed by a deductive research design. A quantitative research method was applied, in which data collection was done using self-administrated questionnaires that were distributed as a hard copy to target participants. In fact, primary data collection was analysed using Statistical Package for Social Sciences Version 23 (SPSS 23).

### Sampling procedures

A convenient sample technique was used in order to collect data from 150 organizations in the public sector in Uganda. In fact, 64 out of 150 organizations agreed to participate in this study. The study used primary data to collect information from respondents using a self-administered questionnaire and this created anonymity which led to valid responses as well as allowing respondents to fill the questionnaire freely. The questionnaire was designed in accordance to the objectives of the research and study variables in a closed-ended form and responses were anchored on a five point Likert scale ranging from 5 = strongly agree to 1 = strongly disagree. Delivery and collection of the questionnaires has been via email by the researcher to the various respondents.

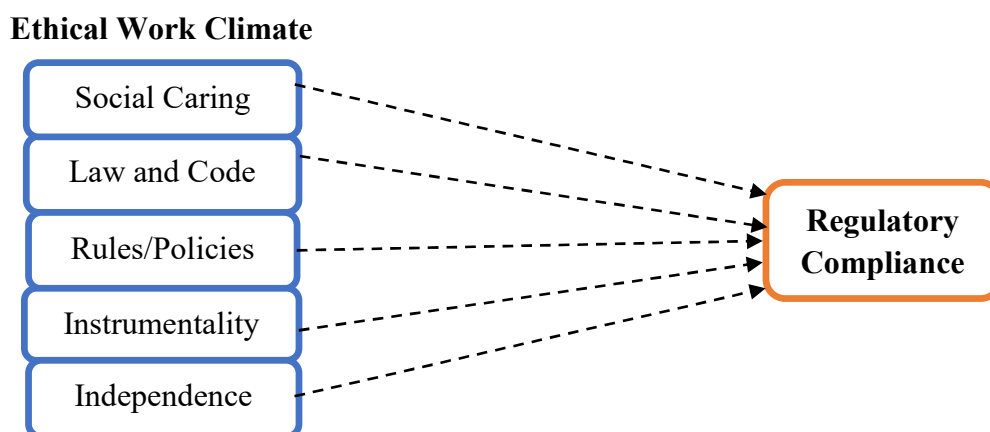
### Research Instruments

(i) Ethical work climate - Ethical work climate was assessed based on the work of Victor and Cullen (1988) and the focus was on the dimensions of social caring, law and code, rule, instrumentality and independence.

(ii) Regulatory compliance - Compliance was measured using a scale developed by Newstrom and Ruth (1975). Dimensions like non – discrimination, fairness, transparency, competitiveness were captured.

### Proposed Conceptual Model

*Figure 1: conceptual framework.*



## Results and Discussion

### Descriptive statistics

Description of the demographic analysis of this study indicated in Table 2 exhibits that 88% of the Survey respondents are males and 22% are females. In addition, it was found that the majority of the sample respondent, 33 % of the sample belonged to 21-31 years of age. Table (3) indicates that all variables under investigation are considered as highly reliable. Where results from Cronbach's alpha for measuring internal consistency of the variables corroborate with previous scholars suggestions about the acceptable level of reliability analysis (De Vaus, 2002; Bryman, 2012; Sekaran and Boogie, 2014).

Table 2: Demographic analysis.

VARIABLE	PERCENTAGE
<b>GENDER</b>	
MALE	88%
FEMALE	22%
<b>AGE</b>	
21-31	30%
32-42	10%
43-53	20%
54-64	22%
OVER 64	18%

Table 3: Reliability analysis.

Factor	Cronbach's Alpha	N of Items
Overall questionnaire	.831	37
Ethical work climate	.722	22
Regulatory compliance	.779	15

Tables 4 shows the result of testing research hypothesis using the correlation and regression analysis. In fact, all research hypothesis were supported.(1) There is a positive direct relationship between social caring and organizational regulatory compliance. (2) There is a positive direct relationship between rules / policies and organizational regulatory compliance. (3) There is a positive direct relationship between law and code and organizational regulatory compliance. (4) There is a positive direct relationship between instrumentality and organizational regulatory compliance. (5) There is a strong positive direct relationship between independence and organizational regulatory compliance. All of these 5 outcome relationships are demonstrating the impact of Ethical work climate on regularity compliance with Uganda's public organisation.

Table 4: Testing Research Hypothesis; correlations and regression.

Relationships	R <sup>2</sup>	β	Supported/Not Supported
Social caring ----> RC	.366	.471**	Supported
Rules and polices----> RC	.287	.374**	Supported
Law and code----> RC	.249	.223**	Supported
Instrumentality----> RC	.114	.510	Supported
Independence ----> RC	.265	.707**	Supported

## Discussion and Conclusion

The aim of this study is to examine the dimensions of Ethical Work Climate like social caring, law and code, rule, instrumentality and independence on the regulatory compliance of Uganda's organisation operating within public sector. Overall, results demonstrated that when the dimensions of Ethical Work Climate are clear and properly linked, i.e. when all of them are improved, regulatory compliance will improve and value for money can be realised by the Government. Ethical misconduct constitutes serious costly risks to the continuity and survival of PDEs. Literature reveals that breakdowns of integrity collectively cost businesses billions of dollars in litigation, fraudulent financial acts, increased costs, fines, reputation and image damage, customer/client trust. There has been a long history of government excesses and subsequent legal, public and political reaction on non-compliance with public procurement rule. Response to criminal misconduct has resulted in legal sanctions, governance practices, compliance standards and cultural transformation.

On the other hand, Public Procurement and Disposal of Assets plus all the entities in the public sector should work hand in hand and co-operate if they want their staff to familiarize themselves with most public procurement rules, regulations and guidelines. One of the ways in which this can be achieved is by training the staff who include the procurement officers and also some of the contracts committee members, skills assessments through refresher courses can also be done. Continuous Professional Development (CPDs) through workshops, conferences and seminars where all the procurement professionals meet and share experiences could also help achieve this. Currently the Institute of Procurement Professionals in Uganda (IPPU) is doing this well, they organize CPD's almost monthly for its members. The PPDA through an act of parliament should also lobby for the legalization of the IPPU so as to improve the professionalism in procurement in Uganda while punishing the culprits that don't comply with the regulations.

The following areas are possible further investigation: A Study of the Relationship of Ethical Work Climate and Organizational Culture in Uganda Public Procurement. Also, further investigation could be on Ethical culture, trust, legitimacy of law enforcement authority and compliance with procurement law. Finally, Organisational climate and its effect on compliance to Uganda Public Procurement: A case study of Local Government PDEs also could be one of the major research area.

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