# AN INSTRUMENT TO OBSERVE AND MEASURE CHANGE IN THE ETHICAL CLIMATE OF A BUSINESS ORGANIZATION

Lewis A. Myers. Jr., Management, St. Edward's University, 3001 South Congress Ave., Austin, TX 78704, 512-448-8713, myers@acad.stedwards.edu
Danney Ursery, Philosophy, St. Edward's University, 3001 South Congress Ave., Austin, TX 78704, 512-448-8706, ursery@acad.stedwards.edu

## ABSTRACT

The purpose of this paper is to describe the development, refinement and administration of an instrument that can be used to observe and measure change in the ethical climate of an organization. The survey instrument consists of a series of scenarios each of which describes a not uncommon ethical dilemma. Respondents participating in the survey read and evaluate each scenario and rate its moral/ethical acceptability. The survey is repeated on a regular basis with each administration over time providing a cross-sectional view of the ethical climate of the organization at that point. The paper also describes the methodology in statistically evaluating changes in the ethical climate of the organization.

## Introduction

This paper will describe the development, refinement and administration of an instrument that can be used to observe and measure change in the ethical climate of an organization. The survey instrument consists of a series of scenarios each of which describes a not uncommon ethical dilemma. Respondents participating in the survey read and evaluate each scenario and rate its moral/ethical acceptability. The survey is repeated on a regular basis with each administration over time providing a cross-sectional view of the ethical climate of the organization at that point. Statistical analysis of the survey results can be used to identify changes in the ethical climate of the organization. Monitoring changes in the ethical climate of the organization can assist management in making course corrections where needed to steer the organization toward a more desirable ethical/moral climate.

## Background

Corporate failures in ethical reporting of accounting and financial reports have been in the headlines frequently during recent years. In many cases senior management has intentionally or unintentionally signed off as true some very misleading and incorrect financial reporting documents. Some observers are of the opinion that the solution to the overall problem is to enact new accounting standards and laws such as the Sarbanes-Oxley Act of 2002. The Sarbanes-Oxley Act along with Federal Sentencing Guidelines are attempts to hold business organizations to higher standards of disclosure and corporate governance. With a stroke of the pen it was thought that the Sarbanes-Oxley Act alone would clear the air of corporate greed, misbehavior, and poor citizenship. Others are of the opinion that the Sarbanes-Oxley Act has accomplished little in solving the problem. Many others would disagree with the assumption that the problem will not be addressed until the senior officials and often the Board of Directors of corporations have the qualifications and the motivation to reach for and achieve a higher level of corporate moral and ethical responsibility.

In reality we believe that it is important to start from the bottom up in providing training and education in moral and ethical decision making to everyone in the organization. As one author suggested "although unethical behavior by corporate executives make headlines, the misjudgments of lower level staff may ultimately cost organizations more" [4]. Of course lower level staff in the organization forms the pool from which many future corporate leaders will emerge. In either case above, it would appear that the ethical standards of the lower level staff will percolate to the top in the corporate organization and form the 'contemporary' ethical climate or culture. In a recent article it was noted that in one of the recent major corporate failures it was the "company's culture (that) contributed to business practices that would ultimately bring it down." [9]. Monitoring the ethical climate of the organization can be used as an early warning tool for management to use in identifying the beginnings of deviation from the desired ethical/moral norms. This paper describes a tool that can be used to monitor the ethical climate of the organization from the bottom up. There has been some research focused on measuring the ethical climate of the organization but some of the tools and techniques of measurement have become obsolete or discarded for various other reasons. In this paper we will describe the refinement and development of a survey instrument that can be used to measure change in the ethical climate of an organization focusing on the lower level or entry-level staff. In the following paragraphs we describe some of the tools that have been developed and used to measure this ethical climate or corporate culture in recent years.

Since the early 1970's several different investigators have attempted to measure the ethical/moral climate of organizations. Parker [6] [7] was one of the first to study and document ethical conflicts in computer science and technology personnel during the 1970's and the 1980's. Paradice and Dejoie [5] extended the research into the influence of information systems on ethical decision-making behavior during the 1980's and during the early 1990's. Taylor and Benham [10] studied the impact of university ethics lectures on the perceived acceptability of information system ethical dilemmas. Taylor and Benham [11] extended their research by conducting a second measurement of the perceived acceptability of ethical dilemmas by business and information systems students in 1998. Their study used a scenario-based survey instrument/questionnaire that had been originated by Parker [6] [7] and replicated by Paradice [4]. In the project reported on in this paper the general structure of the earlier survey instruments was maintained using scenarios and questions regarding the moral/ethical acceptability of certain situations in the scenario. In order to facilitate the respondent's ability to "think through" case studies that contain a moral dilemma, the "discovery/justification method of moral reasoning" was retained as the foundation of this survey instrument. This method works well in both philosophical and pragmatic decision situations. The authors of this paper would be happy to correspond with you especially if you are interested in cooperative research in this subject area.