LEADETHICS
Make the Right Call!

ETHICAL CLIMATE IN BUSINESS

The state of ethical climate, standards and practices in business organisations in Mauritius

WHITE PAPER
Dr. Rishi O. Sookdawoor - October 2022

Transforming ethical climate
for the greater good

The growing ethical challenges in organisations around the globe and their adverse effects on the work environment and employees at large have established our research agenda to explore the dynamics of ethical climate and leadership in business organisations in Mauritius, as well as their effects on organisational citizenship behaviour, ethical conduct, and employee performance.

In this paper, we provide an insight into the state of the ethical climate, practices and workplace pressures experienced by employees operating in the business sectors of Mauritius, highlighting the level of observed misconduct and experienced retaliation for reporting misconduct. This calls for a change in our collective awareness and our collaboration to transform the ethical culture within organisations for the greater good.

The Global Phenomenon: Ethical Climate at work

Whilst organisations are continually engaged in crafting their economic journey in the midst of the ever competitive and exigent business environment (now also marked by the pandemic), we can also observe the different kinds of workplace pressures creeping in that could compromise ethical behaviour and practices within organisations. Global reports of various ethical issues and challenges have put organisational ethics again under the spotlight (Boudreaux, 2016; Caplan et al., 2019; Ciro, 2012; Ernst & Young, 2020; Ethics & Compliance Initiative, 2018a; Gaspar et al., 2020; Wilmarth, 2013).

It is a common phenomenon to witness ever-growing pressures from various stakeholders to maximise profits and keep value-creation high on the agenda. It is often felt that striking the right balance between attaining highly stretched business goals and fulfilling deontological duties is challenging, as an inappropriate degree or nature of

pressure in meeting such high business targets may also influence one to depart from the ethical path or even affect one's own engagement and performance (Kaptein, 2011). Studying the global phenomenon of ethical climate in the workplace is today drawing increased attention amongst researchers and scholars with a view to addressing present and emerging challenges.

Defining Ethical Organisational Climate

Ethical organisational climate is viewed as "*the shared atmospheric conditions influencing employee behaviour towards policies, procedures, and practices with moral consequences*" (Mitonga-Monga & Cilliers, 2015; Huhtala et al., 2013; Martin & Cullen, 2006; Trevino & Weaver, 2003; Victor & Cullen,1988). It is also about how ethical issues are handled (or perceived to be handled) within organisations.

Key questions to ask when gauging the ethical climate prevailing in an organisation:

- Are we observing unethical behaviour and practices from within the organisation?

- Do we feel any pressure to compromise ethical standards in meeting certain business demands or goals?

- Have we faced retaliation as a result of reporting a misconduct or refusing to follow orders that could compromise our ethical stance?

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It is critical for industry and business leaders around the globe to proactively address any ethical issues in their organisation, otherwise an unhealthy climate and anomie will gradually build up in the workplace.

Strengthening our Ethical Organisational Climate

Our aim in this paper, through key insights and recommendations, is to empower business leaders, policy and decision makers, and professionals to strengthen the ethical organisational climate, ethical leadership, ethical standards and practices, thus leading to enhanced organisational citizenship behaviour, ethical conduct, and employee performance in business organisations in Mauritius.

Our focus is to create an awareness and understanding of:

- What is the state of the ethical climate prevailing in business organisations in Mauritius?

- How does the ethical climate, ethical leadership and decision making, and workplace pressures affect organisational citizenship behaviour *(employees performing beyond their expected duties and job descriptions)*, employee ethical conduct and performance?

- How is the work environment perceived by employees in the business community with regards to ethical behaviour and workplace pressures?

- How can business leaders enhance their ethical organisational culture and climate to further stimulate positive behaviour, engagement, and performance amongst their valued employees?

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Our goal is to enlighten captains of the industry, business drivers, and policymakers on the prevailing state of the ethical organisational climate in Mauritius and call for a collective drive to further strengthen the ethical culture in business organisations for the greater good.

The State of Ethical Climate in Mauritius

To assess the state of ethical organisational climate, standards and practices, workplace pressures, and their effects on employees, 523 employees operating across hierarchy levels and 19 industries in Mauritius were surveyed in a multi-faceted in-depth ethics study.

Ethical Organisational Climate

The results of the confirmatory factor analysis indicate that ethical climates, as perceived by the respondents in business organisations in Mauritius, are characterised mainly by traits of *"Principle-Oriented"*, *"Benevolence"* and *"Altruism"*.

FIGURE 1

Underlying factors characterising "Ethical Organisational Climate" in business organisations in Mauritius.

(On a 5-point Likert scale, with 1 being strongly disagree and 5 being strongly agree)
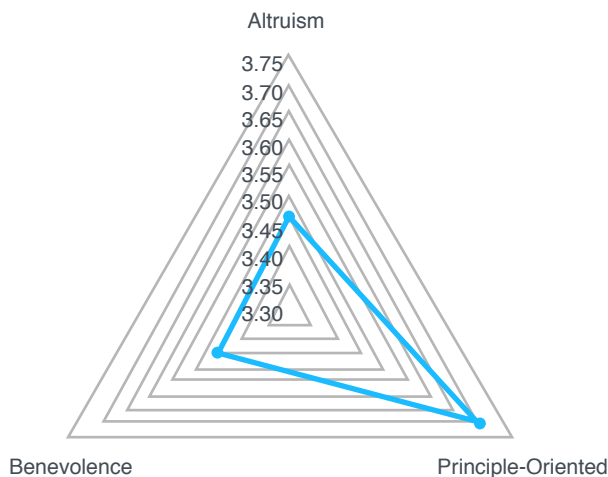
The results confirm the perception that one may have on Mauritians having a culture to generally comply with law and organisational policies, as well as their tendencies to be concerned for the welfare of others including clients, employees, and individuals at large.

Ethical Standards and Practices

The survey shows that 79% of organisations across industries are promoting ethics and compliance to varying extents. However, 12% never promote and 9% rarely do so.

Although *"Written Ethics Policies & Standards"* and *"Code of Ethics"* are the top two tools in place to govern ethical practices in organisations, both are relatively low in prevalence (35% and 19% respectively) across industries.

The level of training in ethics standards and codes also appears to be relatively low, with only 12% of respondents confirming such programmes in place.

The means to report ethical violations, and systems to discipline ethical deviants are *"quasi absent"*, with a very low prevalence (2% and 3% respectively) in the local context.

The results further indicate that the state of ethical standards and practices is rather at an infancy stage:

- Only 4% confirmed that *"Performance evaluations of ethical conduct"* are undertaken;

- Only 4% highlighted that *"Organisation resources that provide advice about ethics issues"* are present; and

- Only 2% reported that the *"Means to report potential violations confidentially or anonymously"* are in place.

Observed Misconduct

The survey shows that 55% of the respondents had not witnessed any form of misconduct. However, 45% of the respondents confirmed having observed ethical issues or malpractices to varying degrees, with 12% seeing a rather frequent occurrence over the last 12 months.

FIGURE 2

Top 5 Ethical deviations or misconducts

Ethical deviations or misconducts	Rank
Abusive or intimidating behaviour towards employees	1
Decisions made to benefit employees' self-interests or their own family/friends' interests	2
Lying to employees, customers, vendors, or the public	3
Unreasonable business targets	4
Abusive use of company facilities	5

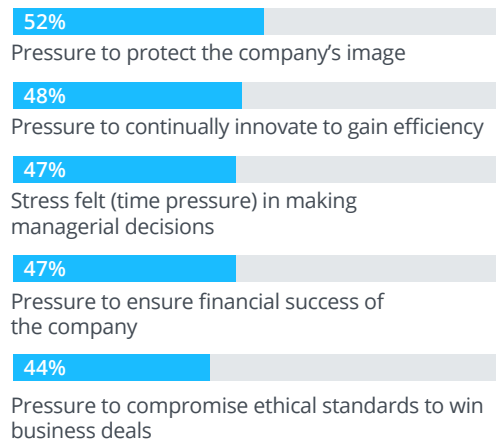## Experienced Retaliation for Reporting Misconduct

The study shows that employees have faced retaliation when reporting ethical issues or misconduct to their superiors, albeit the rate of retaliation is fairly low in business organisations, with 7% of respondents having experienced retaliation over the last 12 months. The rate is relatively higher (17%) when assessing the retaliation experience beyond the 12-month horizon.

Workplace Pressures

The study shows that respondents have been facing workplace pressures of various kinds. Figure 3 lists the top-most workplace pressures that are felt in business organisations and which could compromise ethical behaviour and standards.

FIGURE 3

Top 5 Workplace Pressures in Mauritius

52%
Pressure to protect the company's image

48%
Pressure to continually innovate to gain efficiency

47%
Stress felt (time pressure) in making managerial decisions

47%
Pressure to ensure financial success of the company

44%
Pressure to compromise ethical standards to win business deals

Pressure to compromise Ethical Standards

11% of the respondents confirmed having faced pressure to compromise ethical standards over the last 12 months. The rate is higher (32%) when assessing this workplace pressure over a longer span of time (beyond 12 months).

44% of the respondents confirmed having felt pressured to compromise ethical standards to win business deals, and 26% reported being forced to undertake actions that were not ethical and/or in the best interests of everybody.

26%

of respondents felt the pressure to accept unethical practices to protect their own jobs, source of income, or career prospects.

Benchmarking Mauritius with the World

For the first time, the study has enabled us to benchmark the ethical climate in business organisations in Mauritius with 18 other countries across continents as reported by the Ethical & Compliance Initiatives (Ethics & Compliance Initiative, 2018a, 2018b).
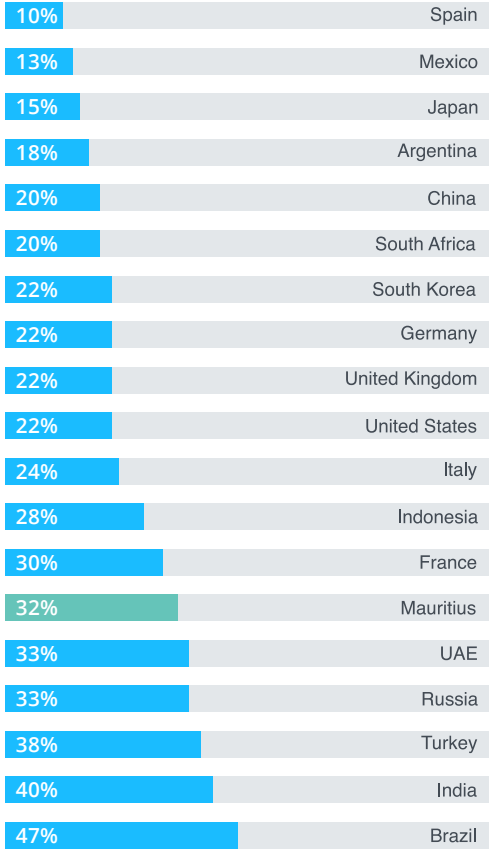
Mauritius (11%) finds itself close to countries such as Spain (10%), Mexico (13%) and Japan (15%) when it comes to pressure to compromise ethical standards over the last 12 months. Furthermore, Mauritius finds itself ranked with the lowest rate of experienced retaliation for reporting misconduct (7%) over the last 12 months when compared to the other countries.

Even though some of the indicators may appear to be encouraging when benchmarked with other countries, 63% of the respondents confirmed that the nature and intensity of pressure at work adversely impacts the employees' health, morale, and performance.

32% of respondents felt the pressure to compromise ethical standards, when measured beyond the 12-month window, as indicated in Figure 4, shifting Mauritius to a relatively alarming upper mid-table ranking - not conducive for a business work environment.

Furthermore, countries in the mid-table on this indicator are the United States, the United Kingdom, and Germany (22% on average).

Pressure to compromise Ethical Standards
Benchmarking Mauritius with 18 countries across continents beyond the 12-month period

Country	Percentage
Spain	10%
Mexico	13%
Japan	15%
Argentina	18%
China	20%
South Africa	20%
South Korea	22%
Germany	22%
United Kingdom	22%
United States	22%
Italy	24%
Indonesia	28%
France	30%
Mauritius	32%
UAE	33%
Russia	33%
Turkey	38%
India	40%
Brazil	47%

Countries such as Brazil, India, and Turkey are ranked with higher exposure to such adverse forms of coercion at 47%, 40%, and 38%, respectively.

As in many other developed and developing countries, business organisations in Mauritius face ethical challenges like inappropriate pressures and unethical behaviour to meet business goals or stakeholders' demands.

63% of respondents confirmed that the nature and intensity of pressure at work adversely impacts the employees' health, morale, and performance.

The Impact of Ethical Climate on Organisational Citizenship Behaviour

A positive ethical organisational climate is characterised by concerns about what is best for employees, clients, and the public and a general tendency towards adhering to organisational rules and policies. This has a corresponding impact on fostering civic virtues, altruism, and an attitude to do beyond what is expected in the best interests of the co-workers, teams and the organisation at large. A climate of ethical deviance in the organisation, on the other hand, has a counterproductive impact on employees, increasing stress and pressures to compromise their ethical stance.

The study suggests that the prevalence of an ethical organisational climate in business organisations in Mauritius has an attenuating effect on workplace pressures. These pressures can be of an internal nature (pressures personal to the employee's own survival, job security, career and financial sustainability), and of an external nature (pressures to meet business targets and goals, ensure financial success of the company, and create value for the shareholders).

These results reinforce existing evidence from Huhtala et al. (2011) and Mitonga-Monga & Cilliers (2015), who advocate that workplace ethics predict work engagement behaviour and commitment to the organisation. Mitonga-Monga & Cilliers (2015) found that the workplace ethical culture and climate had the most impactful contribution on work engagement.

Ethical Leadership drives ethical behaviour and performance

The ethical organisational climate also influences ethical leadership and decision making, as confirmed by the study. For instance, a climate of consideration for others (co-workers, people, the organisation and society) and for compliance (laws, rules, principles, and procedures) influences people's ethical orientation and decision making. Furthermore, ethical leadership also plays a critical mediating role in influencing organisational citizenship behaviour, ethical conduct, and perceived performance in business organisations in Mauritius.

The empirical assessment indicates that ethical leadership and workplace pressures have sizeable indirect effects on organisational citizenship behaviour; the direct and indirect effects are in the ratio of 79:21 of the combined effects; and an even higher degree of indirect effects on perceived employee performance; the ratio of direct and indirect effects being 59:41.

The Way Forward

The aim of this paper is to work towards driving organisational citizenship behaviour, ethical conduct, and performance in business organisations through reinforcement of an ethical organisational climate, ethical leadership, and management of workplace pressures so that employees feel more engaged and motivated to do the extra mile and outperform.

In the spirit of contributing towards the welfare of businesses, employees, and other stakeholders, a blend of organisational and industry-wide measures is required to proactively address issues in relation to the prevailing ethical climate and practices, the rate of observed misconduct, and the nature of workplace pressures in business organisations in Mauritius.

This requires attention, from the highest level of the hierarchy down to all those having a responsibility for others, in reconsidering the breadth and depth of ethical measures to be implemented. This is in view of raising ethical standards and practices within enterprises and reinforcing an ethical climate and culture internally for the welfare of employees and business stakeholders.

A two-pronged strategy is proposed, one at the national level and the other at the organisational level.

At the national level, a collective move of policymakers and business stakeholders is warranted to champion the development and implementation of a **National Ethics Framework** to promote ethical practices and standards across organisations in the country.

The adoption of a formal ethics framework and indicators to measure and disclose the state of the ethical climate in organisations as part of corporate reporting to the public would send a strong signal about the importance that the country, the business community, and socio-economic players place on ethical standards and practices, thus creating an elevated national culture of good governance.

At an organisational level, the strategy should aim at reviewing and elevating the implementation of high quality ethics related programmes and actions, including sustained training on ethics, allocating resources to advise and guide on ethical decision making, handling of ethical dilemmas, and addressing underlying ethics conundrums in organisations. It also goes hand in hand with applying the right types and doses of workplace pressures that would fuel engagement and performance whilst promoting ethical conduct.

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It is of paramount importance to raise boardroom and leadership interests and awareness about doing a regular self-introspective evaluation of the prevailing ethical climate in the organisation. This will lay the foundation for proactive stewardship in reinforcing the right ethical culture, climate, and framework for the welfare of all stakeholders.

This journey also necessitates a firm commitment from the top to put ethical standards and practices at the centre of everything one does within the organisation.

KEY STRATEGIC ETHICS INITIATIVES

0.1

Transforming Ethical Culture

Providing the required support to solve business problems whilst striking the right balance between achieving business goals, people's consideration, work ethics, and promoting transparency.

0.2

Strengthening Ethical Climate

Proactively sensing, regulating, and promoting the right climate oriented towards compliance with principles, rules, and standards while demonstrating concern for the welfare of others (employees, organisation and society at large).

0.3

Stewarding Ethical Leadership

Demonstrating stewardship by stimulating ethical behaviour through ethical leadership conduct

(characterised by demonstrating fairness, integrity, people consideration, role clarification, power sharing, respect for deontological duties, and concerns for sustainability).

Employees should experience that business decisions are made on the basis of ethical consideration, fairness and transparency in dealings, and a feeling of not being compelled to compromise their ethical stance whilst also recognising and rewarding their inputs and contributions towards fostering ethical behaviour and performance.

0.4

Regulating Workplace pressures

Regulating the nature and intensity of workplace pressures in attaining realisable business goals with a view to creating a healthy and ethical work climate.

0.5

Institutionalising an Ethics Office

Spearheading strategic initiatives in institutionalising a Corporate Ethics Office to drive and roll out ethics and compliance standards and programmes is a major enabling mesure.

Some examples of **Key Ethics Related Actions** (KERAs) are:

- rolling out written standards and continuous training for workplace integrity,

- implementing a formal process to discipline violations of ethical codes,

- promoting workplace integrity as part of performance appraisal,

- setting up a mechanism for confidential reporting of ethical concerns and their resolutions in a fair and transparent manner,

- providing a platform or mechanism to advise and help on addressing ethical dilemmas without any fear of retaliation.

Conclusion

A status-quo in addressing the ethical issues emerging from this study or a superfluous approach to applying ethics to business will be counterproductive as it is likely for anomie to gradually creep into organisations with its associated adverse repercussions on employees, people, and the organisations at large.

It is a wake-up call for everyone concerned to conscientiously act upon. A prompt mobilisation, in a constructive and objective manner, of all industry and business stakeholders is needed. Placing ethics high on the agenda and leading high-quality and effective ethical programmes and standards in organisations will enable a stronger and healthier ethical climate and culture ahead.

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A collective drive with enhanced engagement and diligence of all stakeholders will go a long way towards steering forward a culture of reference in ethical leadership, standards, and practices in Mauritius.

Methodology and Participants' Profiles

Methodology: Quantitative study, cross sectional design & survey strategy executed between November 2019 and February 2020.

Target Population: 2,534 'large' establishments across 19 industries in Mauritius (employing 10 or more persons as defined by Statistics Mauritius, 2017).

Sample Size: 526 participants of varying backgrounds working in these 'large' establishments (523 retained post quality assurance and controls).

Data gathering: Through Computer Aided Personal Interview ("CAPI") undertaken by Kantar as per scope entrusted.

Instruments: Master questionnaire of 232 items, compiled and marginally adapted from well-established instruments used globally. Measured through a 5-point Likert scale (1 being Strongly Disagree and 5 being Strongly Agree). Key instruments used for this multidimensional study are as follows:

- State of Ethics & Compliance Standards and Practices: Adapted from Ethics & Compliance Initiatives (2018)

- Organisational Culture: Organisational Culture Assessment Questionnaire (Sashkin & Rosenbach, 2013)

- Ethical Organisational Climate: Ethical Climate Questionnaire (Victor & Cullen, 1998)

- Ethical Leadership & Decision Making: Ethical Leadership at Work Questionnaire (Kalshoven et al., 2011)

- Internal & External Workplace Pressures : Adapted from "Factors eliciting Managerial Unethical Decision Making" (Lasakova & Remisova, 2017)

- Organisational Citizenship Behaviour: Organisational Citizenship Behaviour Scale (Podsakoff et al., 1990)

- Employee Ethical Behaviour & Conduct: Adapted from Scale of Measurement of Questionable Behaviour (Maesschalck, 2004)

- Perceived Employee Performance: Adapted from Perceived Organisational Performance (Delaney & Huselid, 1996)

Statistical analysis: Descriptive statistics, correlation, multiple regression, exploratory and confirmatory factor analysis, path analysis and model fit indices amongst others.

Tools used: IBM SPSS, Amos Software Packages, Hayes' Process Procedures for SPSS and Microsoft.
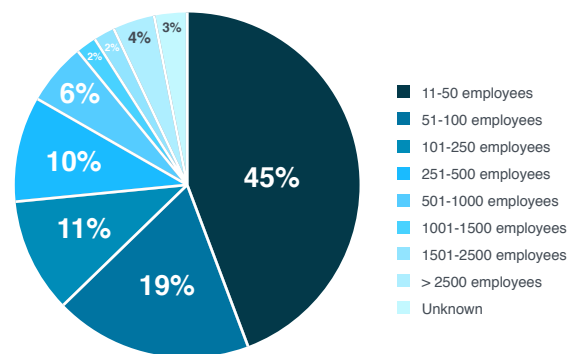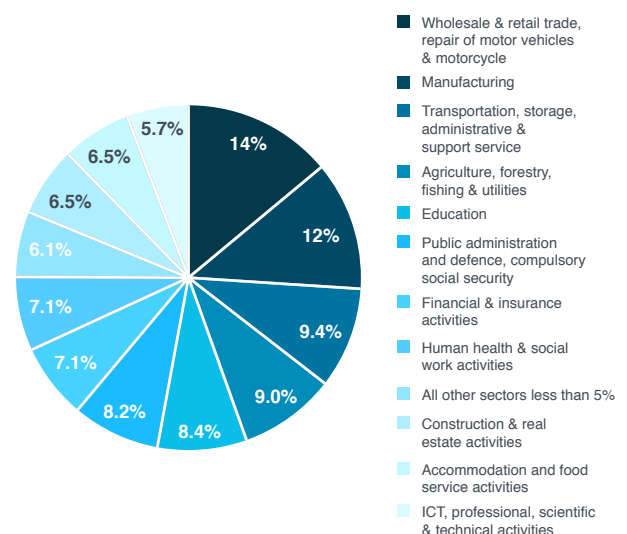
FIGURE 5

Size of organisation surveyed

- 11-50 employees
- 51-100 employees
- 101-250 employees
- 251-500 employees
- 501-1000 employees
- 1001-1500 employees
- 1501-2500 employees
- > 2500 employees
- Unknown

FIGURE 6

Key industry sectors surveyed (regrouped)

- Wholesale & retail trade, repair of motor vehicles & motorcycle
- Manufacturing
- Transportation, storage, administrative & support service
- Agriculture, forestry, fishing & utilities
- Education
- Public administration and defence, compulsory social security
- Financial & insurance activities
- Human health & social work activities
- All other sectors less than 5%
- Construction & real estate activities
- Accommodation and food service activities
- ICT, professional, scientific & technical activities

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About this Paper

This paper forms part of an overarching strategy to share and disseminate the research findings from the author's multifaceted study *"The dynamics of ethical climate: mediating effects of ethical leadership and workplace pressures on organisational citizenship behaviour"* in the business context of Mauritius. https://doi.org/10.1080/23311975.2022.2128250

The main objective of this paper is to focus on one particular aspect of this multidimensional study, more specifically on the state of ethical climate, standards, and practices, and how it can be reinforced in business organisations.

Through this paper, the author attempts to bring together key concepts, findings, insights, views, and recommendations on the topic of focus in a relatively non-technical format to ease the dissemination to a broader audience for the welfare of the business community. An attempt has also been made to recognise the work of other scholars and researchers through the references, to help bridge the academic and business worlds.

Acknowledgements

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Rishi O. Sookdawoor is a Doctor of Business Leadership from the Graduate School of Business Leadership, University of South Africa. He is a multi-functional, strategic and board-level executive with a 20-year track record of spearheading strategic ventures and transforming businesses. With a strong passion and advocacy for ethical leadership, Dr. Sookdawoor aims to contribute to the body of knowledge through his research and opinion papers on ethical leadership and organisational citizenship behaviour. In his quest to contribute towards shaping a stronger ethical culture in business organisations, he advocates for the collective drive and stewardship of business leaders in fostering ethical culture and behaviour in the business community.

Dr. Sookdawoor is also the founding research member of LeadEthics, a platform dedicated to steering forward the mission of fostering ethical leadership at national and global levels. He can be reached at: **rsookdawoor@leadethics.com**

About LEADETHICS

LEADETHICS is a platform dedicated to empowering the business community to foster ethical leadership and culture. Through its research, LEADETHICS provides insights on the ethical culture, behaviour and leadership in business organisations in Mauritius. Based on empirical research, insights, and experiences, it puts forward the key ethics related actions required to implement highly effective ethics standards and programmes in the business community.

LEADETHICS aims to bring together policymakers, industry leaders, business drivers, professionals, ethics & governance experts and scholars from Mauritius and all over the world to share their experiences, ideas, resources, and techniques, and make the right call to collectively commit to putting ethics at the top of the leadership agenda and drive the transformation of ethical organisational culture and leadership for the greater good.

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📍 Mauritius

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