Late payments explained by ethical culture*

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Late payments have long been a problem for enterprises, and the situation only escalated following the recent global economic crisis. Even though new legislation has been adopted at the European level, the problem of late payments has not improved. The aim of the study presented in this paper was to find out whether late payments can be explained by enterprises' ethical culture. The analysis of ethical culture was performed by Kaptein's (2008) measurement instrument. Of the six dimensions that could be confirmed with our sample, three correlated statistically significantly with late payments: sanctionability, feasibility and transparency. Sanctionability refers to the likelihood that unethical behavior will be sanctioned and ethical behavior will be rewarded; feasibility refers to the creation of conditions that allow employees to meet normative expectations; and transparency refers to the degree to which incorrect behavior is visible to those who can have an influence on changing such behavior. The more sanctionability and feasibility are expressed in enterprises, the better their payment discipline; the more transparency is present, the worse the payment discipline. Furthermore, our research showed that the size of the enterprise, liquidity (current ratio) and financial leverage (debt to asset ratio) have no statistically significant influence on the payment discipline of the observed enterprises.

Key words: business ethics, ethical culture, ethical work culture, late payments, payment discipline (JEL Code: A13, J30, M14)

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Introduction

In the framework of corporate governance and management, the problem of enterprises' payment discipline should be understood more broadly than simply just as an ethical problem. In the context of various models of integral management (e.g., Rüegg-Stürm 2002; Thommen 2002; Spickers 2004; Mugler 2008), which are based on the multi-layer integration of governance and management with an enterprise and its environment, the models consider the fundamental aspirations (desires) for the enterprises' existence and, thus, enterprises' quantitative as well as qualitative changes (Belak Jan. et al. 2014). Such models deal with problems in enterprises in both the horizontal and vertical integration of the enterprises' governance and management processes, instruments, and institutions into a consistently operating unit. The process, instrumental, and institutional integrability and integrity of the governance and management is also the initial condition for the implementation of all other integration factors. The MER model of integral management defines various enterprise success factors: ethics, culture, philosophy, synergy, entrepreneurship, ecology, efficiency, competitiveness and coherence. In addition, to improve the model, several studies were carried out to ascertain the importance of these success factors, as well as the importance and the influence of ethics and enterprise culture as essential factors for ensuring the enterprise's success and long-term existence (Belak Jer./Mulej 2009; Duh/Belak Jer. 2009; Belak Jer. et al. 2010; Duh et al. 2010; Belak Jer./Hauptman 2011; Belak Jer./Milfelner 2011; Belak Jer./Milfelner 2012; Belak Jer/Pevec 2012; Belak Jer. et al. 2012; Milfelner/Belak Jer. 2012; Belak Jer. 2013; Belak Jan. et al. 2014; Belak Jer. et al. 2014; Duh/Belak Jer. 2014; Hauptman/Belak Jer. 2015; Šalamon et al. 2015). Some previous studies have been conducted on the payment discipline; however, none of these explored the influence of the enterprises' ethics and culture on their payment discipline. Therefore, the main focus of the present research was to explore the enterprises' payment discipline in relation to their ethics and culture.

Payment discipline is considered an enterprise's practice of fulfilling financial obligations toward suppliers in a timely fashion. Despite quality service or regular delivery, a large proportion of payments in the business-to-business (B2B) market are made late. As much as 80% of sales in the B2B European Union (EU) market involve deferred payments, and as many as 98% of enterprises have received late payments from their customers (Euler Hermes 2006: 3,5). The consequences of late payments are "reduced liquidity, more difficult financial management, financial and administrative costs, narrowing of investment options, reduced competitiveness and reduced profitability" (Commission of the European Communities, 2009: 6, 13). For nearly all of the Central and Eastern European countries, membership in the European Union was one of the primary policy goals. Linking the economies of Central and Eastern Europe to those of the European Union's first 15 states is generally considered the principal means

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of securing future growth prospects (Oplotnik et al. 2011), and late payments have a negative effect on intra-community commercial transactions (Commission of the European Communities 2008: 1).

In periods of economic downturn, the risks related to the negative effects of late payments increase (Official Journal of the European Union 2011: 1), and the "recent crisis has underlined how important market failures in the financial sector are" (Allen/Carletti 2013: 242). Because of late payments, the existence of approximately 35% of European enterprises is under threat (Commission of European Communities 2009: 46), with small and medium-sized enterprises suffering more than large ones (ibid.: 13-14).

It can be argued that payment discipline depends on the financial health of the enterprise – in particular, on liquidity, since liquidity is defined as the ability to fulfil the financial obligations of an enterprise. However, some empirical studies have not been able to support the relationship between payment discipline and liquidity (Bole 2002; Prašnikar et al. 2010). Prašnikar et al. (2010), however, showed that there exists a relationship between payment discipline and financial leverage (debt to asset ratio).

If liquidity does not influence payment discipline, then what does influence it? Around 63% of enterprises are convinced that late payments are deliberate (Intrum Justitia 2011: 4), and 89% of enterprises agree that systematic late payments to small enterprises should be labelled as an unethical business practice (Commission of European Communities 2008: 4).

Could business ethics influence payment discipline? Our research is based on the premise that an enterprise's payment discipline depends on its ethical culture. It is true that enterprises struggle to ensure payment discipline in difficult financial situations; however, it is our belief that enterprises' ethics also play an important role in ensuring payment discipline, since ethics influence the extent to which an enterprise strives to take all necessary measures for timely coverage of its obligations. A prerequisite for an enterprise to pay within the time limit is for it to consider payment discipline to be important, as only in this case will managers and employees take all necessary measures to ensure it. Furthermore, payment discipline affects an enterprise's reputation. If an enterprise aims for long-term success, it must acquire the status of a credible and trustworthy partner, which is preconditioned by ethical behavior (Duh et al. 2010).

Even though late payments and their negative impact on the economy are topical issues, to the best of our knowledge there are no previous studies investigating the link between payment discipline and ethical culture. The present research attempts to bridge this gap by exploring the relationship between various dimensions of ethical culture and enterprises' payment discipline.

Payment discipline varies to a greater extent among European countries than among industries; this is not surprising because, even when analysing innovation

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that is supposed to be more present in some industries, "more variance in output innovation in Europe is explained by Country rather by industry" (Helg et al. 1995: 1017). Since considerable differences exist among European countries in terms of payment discipline, we chose to conduct our empirical research in Slovenia, which belongs in the group of countries with a long payment delay (Table 1).

Table 1: Average payment delay in business-to–business market in days in European Countries in 2013 (Intrum Justitia 2013: 14-44)

Country	Average delay in days
Austria	12
Belgium	18
Bulgaria	18
Croatia	20
Cyprus	30
Czech Republic	14
Denmark	10
Estonia	15
Finland	6
France	15
Greece	43
Hungary	18
Germany	9
Iceland	10
Ireland	30
Italy	31
Latvia	22
Lithuania	17
The Netherlands	17
Norway	8
Poland	20
Portugal	35
Romania	13
Slovakia	19
Slovenia	30

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Besides the case of Slovenia, two empirical studies failed to connect liquidity to payment discipline, so we believe that in Slovenia (as well as in other countries), causes for poor payment discipline might not be solely financial. "Many important decisions involve tradeoffs between personal benefits and impacts on the welfare of others" (Bartling et al. 2014: 512), and lack of payment discipline can be related to lack of business ethics. Moreover, Slovenia is an emerging markets, and payment discipline is important for foreign direct investments.

Ethical culture

An enterprise's culture can be defined "as encompassing values, rules, beliefs and assumptions in handling and in behavior of (especially internal) enterprise's stakeholders which reflects internally as well externally in the behavior of an enterprise" (Milfelner/Belak Jer. 2012: 621). An enterprise's culture consists of "basic, taken for granted assumptions and deep patterns of meaning shared by organizational participants and manifestations of these assumptions and patterns" (Jermier et al. 1991: 170) and "provides guidance on issues such as how work gets done, the way in which people think and the standards for interaction" (Maon et al. 2010: 25). In organizations, the behavior is determined more by its culture than by directives from senior management (Jarnagin/Slocum 2007; Roblek et al. 2013).

An enterprise's ethical culture comprises the assumptions and expectations of its employees regarding the ways in which the enterprise prevents unethical behaviour and stimulates ethical behaviour (Kaptein 2009). It can also be defined as a set of assumptions, values and beliefs shared by enterprise members that manifest in the form of norms, rituals, legends and the selection of role models (Treviño 1986). An enterprise's ethical culture determines what in the enterprise is legitimate and acceptable (Treviño et al. 1998) and what is not. Cultures that are based on values of dishonesty, deceit, favouritism and greed can lead top managers to make choices that are injurious to key stakeholders; on the other hand, when altruistic values of respect, fairness, honesty, care, and compassion are integral parts of an organization's culture, a culture of trust emerges (Fry/Slocum 2008). If an enterprise's reputation or trust is lost, it will take time and effort to establish ethical standards throughout that enterprise (Oh et al. 2013).

Kaptein's (1998) model of ethical values is the only multidimensional models of ethical culture. It is based on the assumption that the following characteristics or values (dimensions of ethical culture) are required for enterprises to be ethical (Kaptein 1998; Kaptein 2008; Kaptein 2009): clarity, congruence, feasibility, supportability, transparency, discussability and sanctionability. These concepts (except congruency) are better explained in the following conceptual framework section. We excluded congruency from our research for two reasons. First, the empirical research conducted by Kaptein (2008) has shown that congruence is

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not a unidimensional dimension. In research (Kaptein 2008), it yielded two factors, congruency of management and congruency of supervisors. Second, the multivariate variance analysis did not show statistical or near-statistical reliability for the congruence dimension.

Conceptual framework of relationships between ethical culture and late payments

Clarity and payment discipline

A prerequisite for employees' ethical behaviour is that they know exactly what is and is not acceptable from the enterprise's point of view. The dimension of clarity in an enterprise's ethical culture explains to what extent the enterprise's ethical standards are concrete, exhaustive and comprehensible (Kaptein 2008, 2011b).

General moral intuition *per se* does not necessarily suffice in distinguishing ethical from unethical behavior in a workplace, because ethical questions encountered in the workplace differ from those in private life (Kaptein 2008). If enterprises do not want employees to rely solely on their own moral intuition, they must create a culture in which it is clear what is and what is not ethical (Kaptein 2011b). Employees will only behave ethically when they understand that such behaviour is expected from them (Robertson/Rymon 2001) and when they know what is morally acceptable and what is not (Schnatterly 2003; Hoogervorst et al. 2010). Such sensitivity for ethical issues can be gained through learning and development programs (Pless et al. 2011; Pless et al. 2012), but such training must be maintained for some period of time to be effective (Cascio 2006).

Since ethical guidelines and boundaries of ethical behavior must be clearly outlined (Halter et al. 2009), they have to be the subject of formal communication (Rottig et al. 2011). It is necessary to specify the policies and practices that will stimulate ethical behavior from employees (Hegarty/Sims 1978). Enterprises usually try to achieve clarity by introducing codes of ethical conduct. In addition, managers must strive to communicate desired ethical perceptions in all their activities (Martin et al. 2009).

Ethical guidelines should cover conduct toward all stakeholders, including suppliers. Employees should have clear instructions on how to pay suppliers on time, such as by monitoring cash-flow, predicting future cash flows, or using a bank credit line if necessary to pay on time. It is important that such ethical guidelines are clear and exhaustive if they are to reduce unethical behaviour (Schnatterly 2003).

Many studies have confirmed a negative correlation between clarity and unethical behavior (e.g., Robertson/Rymon 2001; Schnatterly 2003, Di Lorenzo 2007), meaning that lack of clarity can result in unethical behavior (i.e., late payments, in the case of our research). We also assume that the clearer the rules of ethical

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behavior (especially toward suppliers), the better the payment discipline; therefore, we formulate the following hypothesis:

H1: There is a negative relationship between clarity and average late payment time.

Feasibility and payment discipline

Feasibility expresses the extent to which employees have sufficient resources (time, financial means, equipment, information and authority) to fulfill their obligations (Kaptein 2011a). This dimension of ethical culture relates to the creation of conditions that allow employees to fulfill normative expectations (Kaptein 2011a).

In the context of payment discipline, feasibility expresses the extent to which employees have sufficient resources to fulfill their obligations toward the suppliers. Feasibility, however, should not be confused with liquidity. Liquidity is the financial ability of the enterprise to meet its short- and mid-term commitments. Therefore, liquidity only expresses the extent to which employees have the financial means to fulfill their obligations toward the suppliers. In the context of feasibility, equipment, information, time and authority are also important in addition to financial means. "Time pressure has a negative effect on the quality of decision-making" (Kocher/Sutter 2006: 375); if one does not have enough time to plan future cash flows, then one will probably not plan them well enough. Enterprises should possess and use an information system that enables cash flow monitoring and future cash flow predictions and that takes into account the customers' payment discipline. However, this effort is not sufficient if an employee does not have the authority to use the company's bank credit line when necessary in order to pay invoices on time. Only if the person in charge of paying invoices has all four of the above-described resources (equipment, time, information and authority) will he or she be able to obtain the necessary financial means in time.

Ethical behavior can be costly for the enterprise in the short run; however, the enterprise can also benefit from ethical behavior in the long run (Sims 1992). This is why it is important for the enterprise's goals and ambitions to extend beyond merely financial success. Enterprises that stress ethics have a better image and reputation and yield higher long-term interests (Belak Jan. et al. 2010). An important element of unethical behavior is constituted by the pressures inside an enterprise (Ferrel/Gresham 1985). Enterprise objectives (set by the enterprise's key stakeholders) that are difficult to reach can enhance unethical behaviour by employees who strive to reach goals at all cost (Schweitzer et al. 2004). The risk of incorrect employee action increases with more pressure from stakeholders and fewer employee resources to achieve those goals (Kaptein 2011a). One extreme involves critical situations in the environment of enterprise's functioning where the survival of the enterprise is at stake. In such situations, survival comes

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first in decision-making, and ethical criteria become secondary in importance (Falkenberg/Herremans 1995). When competition intensity is high and it is hard to achieve the set objectives and goals, the high competition intensity also may have a negative impact on ethical behaviour (Hegerty/Sims 1978). Moreover, scarce resources and lack of time may have a negative impact on ethical behaviour as well (Treviño 1986).

Many studies have confirmed assumptions of a negative relationship between feasibility and unethical behaviour (Staw/Szwajkowski 1975; Posner/Schmidt 1992; Schweitzer et al. 2004; Kaptein 2011b). We also assume that feasibility is important to ensure payment discipline (in order to avoid confusing feasibility with liquidity, we will use liquidity as a control variable in our research). Considering the above, we hypothesize:

> *H2: There is a negative relationship between feasibility and average late payment time.*

Supportability and payment discipline

Supportability refers to the extent to which employees experience respect and trust in their work environment as well as the extent to which employees follow the rules, norms and values of the enterprise (Kaptein 2008).

In many enterprises, the most important asset is the intellectual capital that resides in people (Cascio 2008). If employees' values do not match the values of the enterprise, employees are less motivated to follow the rules and policies of the enterprise (Tyler/Blader 2005). If employees feel that the measures and decisions of the enterprise are unjust, they try to get revenge by "punishing" those responsible for the problem (Skarlicki et al. 1999) or to "balance out" injustice by behaving unethically (Treviño et al. 1999).

In the context of an enterprise's ethical behavior, the issue of late payments should be revealed to the enterprise's key stakeholders. Furthermore, the causes of an enterprise's late payments should be identified and revealed (e.g., inappropriate system of registering payment deadlines for individual obligations, insufficient liquidity, inappropriate recovery, etc.). The person who receives such information about the outstanding debts of an enterprise "could function as a social supporter for those in the group who report wrongdoing" (Greenberger et al. 1987: 539). This level of support depends upon supportability. If employees witness unethical behavior, such as late payments, they will be more likely to inform someone who has the authority to solve the problem if they expect that their effort will be supported and appreciated. As a result, it is more likely that the problem will be solved. If a complaint recipient who receives information about outstanding debts to suppliers has power and appears to support the validity of a claim, he might increase the efficacy of the whistle-blowing action. "It is critical that the complaint recipient support the whistle-blower: A credible, pow-

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erful complaint recipient, who believes the complaint has little merit, will almost certainly reduce the effectiveness of the whistle-blowing" (Near/Micelli 1995: 694).

It has already been empirically verified that supportability reduces unethical behaviour (Kaptein 2011b) and increases internal reporting (reporting to managers or calling a hotline) about ethical issues (Kaptein 2011a). We predict that supportability will affect payment discipline, which will be better in enterprises with greater supportability. Thus:

> *H3: There is a negative relationship between supportability and average late payment time.*

Transparency and payment discipline

Transparency refers to the degree to which incorrect behaviour (along with its consequences) is visible to those who can have an influence on changes in such behaviour (i.e., to those acting inappropriately and their colleagues, subordinates, and superiors, as well as enterprise management) (Kaptein 2008; Kaptein 2011a). The purpose of transparency is therefore to reduce the extent of unethical behavior. Overtly ambitious objectives and goals (which are believed to be among the reasons for unethical behavior) are believed to cause unethical behavior in enterprises with less transparency more frequently than in those with greater transparency (Schweitzer et al. 2004).

Kaptein (2011b) could not confirm a relationship between unethical behavior and transparency. We assume that this lack of confirmation occurred for the following reasons:

1. Transparency reduces unethical acts in which employees do not want to get caught. An individual's perception of the likelihood of getting caught committing an unethical act influences their behaviour and adherence to the policies of the enterprise (Izraeli 1988). However, this is only the case when they want to avoid getting caught in an unethical act. Corruption, for example, could fall into this category, and, indeed, transparency is one of the key factors in reducing corruption, since it makes it more likely that unethical acts will be discovered (Halter et al. 2009).
2. Transparency helps to establish counternorms. Counternorms are behaviours that are unacceptable from a social point of view but are informally acceptable in the enterprise and do not result in sanctions for employees; they may even be rewarded if such behavior has a positive effect on the enterprise's business performance. "Counternorms thus are viewed as inappropriate, and yet they also are viewed as necessary" (Jansen/Glinow 1985: 815). "There are many organizational counternorms that promote morally and ethically questionable practices. [The fact that] these practices are commonly rewarded and accepted suggests that organizations may

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> be operating within a world that dictates its own set of accepted rules" (Sims 1992: 508). Unethical co-worker behavior may increase unethical behavior of other employees because of co-workers' influence (Izraeli 1988). This can be explained in terms of the phenomenon of exposure, according to which repetitive exposure to a stimulus increases one's positive attitude toward it. This phenomenon has been confirmed in cases of unethical behavior in enterprises (Weeks et al. 2005).

Employees can "get away with unethical behavior in some situations and they are capable of accurately predicting such situations" (Hoogervorst et al. 2010: 29). Thus, transparency should reduce the incidence of more serious, penalizable unethical acts (including all criminal acts) while at the same time increasing the number of 'grey area' unethical acts for which employees are not penalized. In our opinion, late payments are considered a minor unethical act that can benefit the enterprise in the short run with free working capital, because enterprises usually do not charge interest; thus, we can see late payments as a counternorm, at least in Southern Europe, where "bills are generally being paid more slowly" (Intrum Justitia 2011: 3). This means that enterprises (at least in countries with poor payment discipline) with higher transparency will be characterized by higher levels of late payments.

Therefore, we believe that transparency will encourage late payments not only because transparency can help to establish counternorms but also because it is less likely that an employee will highlight the problem of late payments in an enterprise with higher transparency. Such internal reporting (i.e., to someone inside the enterprise) of unethical behavior (late payments, in our case) is less likely when the employees believe that others are aware of the inappropriate behaviour (Kaptein 2011a). This leads to the following hypothesis:

> *H4: There is a positive relationship between transparency and average late payment time.*

Discussability and payment discipline

Discussability refers to the opportunity for employees to raise ethical questions and discuss ethical topics (Kaptein 2008). If this dimension is insufficiently expressed in enterprise, then the readiness to discuss ethical themes is restricted or nonexistent, critiques are neither encouraged nor received, ideas are not exchanged, and thus no opportunities exist to learn from others' (ethical) mistakes or (ethical) dilemmas (Kaptein 2008; Kaptein 2011b). To improve the enterprise's ethics, education is necessary in order to shape people's fairness preferences (Cappelen et al. 2010). Communication is also a key element for success (Halter et al. 2009), since employee confidence can only be achieved with open communication (Belak Jer. et al. 2011; Belak Jer./Milfelner 2011). If the potential negative impact of the unethical behavior is explained to employees, this may evoke their feeling of responsibility (Haines et al. 2008). If discussability is

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insufficiently expressed, then certain ethical questions and conflicts (late payments, in our case) will remain undetected and unresolved. Due to insufficiently expressed discussability, the issue of late payments will not be raised and discussed; consequently, ideas for solving the problem will likewise not be exchanged.

With a high level of discussability, the lack of clarity related to certain moral dilemmas and normative expectations can be resolved (Kaptein 2008). Such an 'if uncertain, ask' policy of an enterprise ensures quality ethical guidelines and helps to detect ethical questions, even when employees are uncertain of whether or not they are dealing with an ethical question (Rottig et al. 2011). This means that, in the case of uncertainty regarding how to solve an ethical issue, the employee responsible for paying invoices will raise the problem of late payments and ask for the solution.

Empirical studies have confirmed the negative impact of discussability on unethical behavior (Schnatterly 2003; Kaptein 2011b). If employees in the financial or purchasing departments feel free to talk about ethical issues, they are more likely to express their concerns about the problem of late payments to their suppliers. Consequently, we argue that discussability will impact the enterprise's payment discipline; therefore, we propose the following hypothesis:

> *H5: There is a negative relationship between discussability and average late payment time.*

Sanctionability and payment discipline

Sanctionability refers to the likelihood that employees and managers will be penalized for unethical behavior and rewarded for ethical behaviour (Kaptein 2011b). If an enterprise's culture comprises "symbolic representation of past attempts at adaptation and survival" (Štok et al. 2010: 305), then, from the point of view of ethics, it matters how individual 'unethical attempts at adaptation' are treated. A system of punishments and rewards shapes the perception of what is ethical and what is not (Jansen/Glinow 1985; Haines et al. 2008) and thus has an impact on the process of ethical decision-making (Haines et al. 2008).

Penalization, which can take the form of reward revocation or deprivation of the positive consequences that would follow ethical behaviour (Treviño 1992), is often used to change unwanted employee behaviour with the help of the negative consequences that result from such behaviour (Ball et al. 1994). Even though penalties for breaching legitimate norms are justified, overemphasizing penalties can be counter-productive because employees may rebel against such systems, particularly if they were created without the employees' participation and if the standards and objectives adopted are too strict (Paine 1994). Rewards, on the other hand, are used to encourage desirable behavior from employees. According to one of the key principles of management, if a particular employee

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behavior is desired, it is necessary to reward it (Sims 1992). This is why it is necessary to reward employees when they have successfully resolved a conflict or dilemma by implementing ethical behaviour (Belak et al. 2011).

Managers must know exactly which results are rewarded (Dean et al. 2010), because failing to penalize or even rewarding a negative behaviour, such as the late payment practice of a unit or department, demonstrates to employees that such behavior is acceptable or even desirable. Even though rewarding and penalizing are most efficient ways of sending signals regarding which behavior is desired and which is not (Treviño et al. 2000), the reward systems of many enterprises apply only to profits (Hegarty/Sims 1978), and certain employees are rewarded for breaching rules in the name of reaching objectives (Jansen/Glinow 1985). For example, an employee who is promoted on the grounds of achieved sales alone without consideration of how these sales were realized will not be incentivized to engage in ethical behaviour (Lindgreen 2004). This is why the success of an enterprise's unit or department should not be measured only by sales figures. However, when superiors benefit from employees' unethical behaviour, they are less motivated to oppose it (Hoogervorst et al. 2010). It is very likely that individuals without high ethical standards will behave unethically with the ambition of making a profit when unethical behaviour is not penalized and is profitable (Hegarty/Sims 1978). Of course, late payments could be profitable, at least in the short term, as suppliers almost never charge interest rates for late payments (Commission of the European Communities 2008: 2). The reward system, which does not solely concentrate on profit but also takes into account all stakeholders (including suppliers), should view late payments as a non-ethical means of interest-free financing. Profits gained due to such interest-free financing as a consequence of deliberate late payment to suppliers should not be rewarded. Instead, intentional late payments should be penalized to ensure fair treatment of suppliers as important stakeholders of the enterprise.

Studies have confirmed the impact of rewards and penalties on ethical or unethical behavior (Hegarty/Sims 1978; Hollinger/Clark 1983; Hoogervorst et al. 2010; Hawkins et al. 2012); therefore, we assume that sanctionability will impact the payment discipline of an enterprise. Thus:

> *H6: There is a negative connection between sanctionability and average late payment time.*

Control variables

Three control variables were used in this study: current ratio, debt-to-asset ratio and enterprise size. Current ratio is a measure of liquidity, which is defined as a measure of the financial ability of the enterprise to meet its short- and mid-term commitments; as such, it could influence payment discipline. Debt-to-asset ratio is a leverage measure. Since enterprises, which already have higher rates of debt compared to their competition, are having trouble getting additional money

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when needed, enterprises with higher rates of debt might be paying their invoices late. However, the results of previous studies measuring the relationship between late payments and financial leverage are mixed (Bole 2002; Prašnikar et al. 2010). Enterprise size was included as a control variable in our study since large enterprises have better negotiation positions, and they can more easily afford to pay their obligations late. This can be the case especially when they do business with small suppliers who are entirely dependent on their partners. On the other hand, small enterprises have more difficulties obtaining financial means from banks, which can also result in late payments.

Methodology

Data collection

A total of 2978 Slovenian enterprises with 10 or more employees were randomly selected from the Dun & Bradstreet database. Simple random sampling was used to ensure generalizability of results.

Persons responsible for accounting or financial data served as the main informants in this study. Data were collected using a web interview method. Potential respondents were contacted via email with a request to participate in an online survey and were instructed on how to assess the actual situation in the enterprise (if different from their expectations). Those who did not respond to the first invitation were again asked to participate in the second wave of data collection.

Only completely answered questionnaires were included in the data processing, resulting in a total of 272 usable responses, for a response rate of approximately 9.1%. While this response rate was relatively low, it was still quite good for Slovenia, where researchers often deal with even lower response rates. Out of the 272 enterprises, one was excluded from further processing due to the fact that the rating agency data showed its average late payment time was as high as 215 days. The average time of late payments in the other enterprises was 45 days or less.

Measurement instrument – translation, conceptual and functional equivalence

Ethical culture was measured with the modified Corporate Ethical Virtues Model measurement instrument developed by Kaptein (2008). Items for congruence were not used in this study because Kaptein's empirical research shows that congruence is not a unidimensional dimension. Factor analysis yielded two factors (congruency of management and congruency of supervisors), and the multivariate variance analysis did not show statistical or near-statistical reliability for the congruency of supervisors.

In order to establish translational equivalence with the original measurement instrument, the instrument was first translated into Slovene and then back into English, and deviations between the English translation and the English original

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were used to amend a few Slovene translations. Next, a pilot study was carried out on a sample of 33 employees in Slovenian enterprises with more than 10 employees. Their comments were used to modify a few statements. Finally, a team of Slovenian economists and a psychologist with experience in organizational and business ethics confirmed the conceptual and functional equivalence of the original instrument. Conceptual equivalence is established when attributes being measured have a similar meaning across cultures, and functional equivalence is established when concepts and structures have the same role in a particular culture (Cascio 2012).

Common method bias, social bias and non-response bias

In order to avoid common method bias (also referred to as common method variance), we did not obtain the information about the enterprises' ethical culture and about their average late payment period from the same source. The measurement instrument was used for measuring ethical culture; the data about average payment delay, on the other hand, was gathered from the database of Slovene rating agency "I d.o.o.," a partner enterprise of Dun & Bradstreet. Average payment delay was calculated using the Dun & Bradstreet rating agency methodology on the basis of sample invoice payments of the individual enterprises.

In order to reduce social bias, the cover letter explained to respondents that there were no wrong answers and asked them to be as realistic as possible in their assessment of the actual situation. In addition, assessment was anonymous, and respondents only had to identify their enterprise and not themselves.

The answers given by early respondents and late respondents were compared in order to test for non-response bias. No statistically significant differences in answers, payment delay or company size (measured in ln income) were observed between the groups.

Dimensionality, reliability and validity of the scales

The factor structure of the instrument adapted from Kaptein (2008) for measuring ethical culture was first analysed using exploratory factor analysis (EFA) with Varimax rotation. EFA resulted in six factors with eigenvalues over 1.00. The reliabilities of the single constructs were as follows: clarity ($\alpha = .969$), feasibility ($\alpha = .917$), discussability ($\alpha = .956$), supportability ($\alpha = .956$), sanctionability ($\alpha = .878$) and transparency ($\alpha = .799$). Six factors explained 78% of the total variance and were named according to Kaptein's (2008) suggestions.

In the next stage, confirmatory factor analysis (CFA) confirmed the same structure and constructs as EFA. Some additional items were omitted because of high correlations with other items and constructs or low loadings (the numbers of the item are serial numbers from the adapted measurement instrument).

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Table 2: Items, means, standard deviations, factor loading, CR and AVE

Constructs	Indicators	Means	Standard deviations	Factor loadings	CR	AVE
Clarity	The organization makes it sufficiently clear to me how I should conduct myself appropriately toward others within the organization.	4.06	1.290	.848	.958	.822
	The organization makes it sufficiently clear to me how I should deal with conflicts of interests and sideline activities responsibly.	4.25	1.182	.893		
	The organization makes it sufficiently clear to me how I should deal with confidential information responsibly.	4.31	1.241	.944		
	The organization makes it sufficiently clear to me how I should deal with external persons and organizations responsibly.	4.30	1.184	.945		
	In my immediate working environment, it is sufficiently clear how we are expected to conduct ourselves in a responsible way.	4.39	1.202	.900		
Feasibility	In order to be successful in my organization, I sometimes have to sacrifice my personal norms and values.	2.86	1.616	.675	.885	.723
	I have insufficient information at my disposal to carry out my tasks responsibly.	2.71	1.537	.914		
	I have inadequate resources at my disposal to carry out my tasks responsibly.	2.69	1.541	.937		
Supportability	In my immediate working environment, everyone is totally committed to the (stipulated) norms and values of the organization.	4.17	1.233	.858	.945	.773
	In my immediate working environment, everyone has the best interests of the organization at heart.	4.51	1.316	.848		
	In my immediate working environment, a mutual relationship of trust prevails between employees and management.	4.29	1.339	.937		
	In my immediate working environment, everyone takes the existing norms and standards seriously.	4.27	1.321	.889		
	In my immediate working environment, everyone treats one another with respect.	4.45	1.261	.862		
Transparency	If a colleague does something which is not permitted, my manager will find out about it.	4.37	1.188	.785	.805	.579
	If a colleague does something which is not permitted, I or another colleague will find out about it.	4.47	0.984	.779		
	If my manager does something which is not permitted, someone in the organization will find out about it.	4.29	1.161	.717		
Discussability	In my immediate working environment, there is adequate scope to discuss unethical conduct.	4.47	1.287	.926	.946	.813
	In my immediate working environment, there is adequate scope to discuss personal moral dilemmas.	4.37	1.368	.897		
	In my immediate working environment, there is adequate scope to report unethical conduct.	4.47	1.421	.883		
	In my immediate working environment, there is ample opportunity for discussing moral dilemmas.	4.14	1.472	.901		
Sanctionabil-	In my immediate working environment, ethical conduct is rewarded.	3.54	1.572	.768	.885	.720
	In my immediate working environment, employees will be disciplined if they behave unethically.	3.81	1.465	.834		
	If I reported unethical conduct to management, I believe those involved would be disciplined fairly regardless of their position.	3.78	1.491	.936		

X^2/d.f.=1.511, RMSEA=.043, CFI=.981, GFI=.907; NFI=.946; NNFI=.978, PNFI=.804

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Items dropped were as follows: for clarity, items 2, 3, 4, 5 and 9; for feasibility, items 11, 13, 16; for supportability, item 18; for transparency, items 26-29; for discussability, items 30, 31, 33, 37-39; and for sanctionability, items 40-44 and 48.

The entire adapted instrument, including these items, can be found in the Appendix.

Means, standard deviations, factor loadings, component reliability and average variance extracted measures are shown in Table 2.

In order to assess the composite reliability of the scales, the standard of .60 suggested by Fornell and Larcker (1981) was used. All CR coefficients were higher than the suggested threshold, ranging from .675 to .945. In order to show the degree to which a measure represents the construct it is supposed to represent, construct validity of single scales was assessed by examining convergent and discriminant validity. Evidence of convergent validity was found by inspecting the variance extracted for each factor as shown in Table 3. Convergent validity was established, since the variance extracted values in all cases exceeded .50 (Fornell/Larcker 1981). The discriminant validity of the constructs was tested using the Fornell and Larcker (1981) approach, according to which discriminant validity is achieved if the square root of the AVE is greater than all corresponding correlations. As shown in Table 3, the square roots of the AVE values are greater than the off-diagonal correlations.

Table 3: Correlation matrix and square roots of average variance extracted

	1.Feasibility	2.Sanctionability	3.Transparency	4.Discussability	5.Clarity	6.Supportability
1. Feasibility	**.850***					
2. Sanctionability	-.207	**.848***				
3. Transparency	-.167	.445	**.7 60***			
4. Discussability	-.514	.596	.337	**.901***		
5. Clarity	-.394	.585	.353	.680	**.906***	
6. Supportability	-.445	.614	.329	.782	.684	**.879***

Note: * - square root of average variance extracted

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Results

The proposed conceptual model was tested with structural equation modelling. Current ratio (current assets/current liabilities), debt-to-asset ratio (debt/assets) and enterprise size were used as controls. Standardized regression coefficients, their significances and fit indices are presented in Table 4.

Table 4: Standardized regression coefficient of structural equation modelling and its significance (p value)

	Standardized regression coefficient	Significance (p value)	t value
Clarity -> average payment delay	-0.137	n.s.	-1,47
Feasibility -> average payment delay	0.204	p<.05	2.70
Supportability -> average payment delay	-0.005	n.s.	0,05
Transparency - > average payment delay	0.150	p<.10	1,95
Discussability - > average payment delay	0.180	n.s.	1,53
Sanctionability - > average payment delay	-0.183	p<.05	1,96
Controls			
Current ratio - > average payment delay	-0.064	n.s.	-1,02
Debt to assets ratio - > average payment delay	0.074	n.s.	1,19
enterprise size (measured in turnover ln) - > average payment delay	0.015	n.s.	0,23
HHI concentration index	-0.122	p<0.10	-1,93

X^2/d.f.=1.332, RMSEA=.035, CFI=.983, GFI=.906; NFI=.937; NNFI=.978, PNFI=.743

The results of our research indicate that clarity did not have a statistically significant impact on enterprises' average late payment time; therefore, hypothesis 1 was rejected. Due to the significant relationship between feasibility and average late payment times ($\beta = .204$, $p < .05$), hypothesis 2 was supported. The relationship between feasibility and average late payments is positive because feasibility was measured with reverse items (e.g., "I have insufficient…"). Because no statistically significant relationship between supportability and average late payment was found, hypothesis 3 was rejected. The relationship between transparency and average late payments was positive and statistically significant ($\beta =-.150$, $p < .10$), meaning we can confirm hypothesis 4. Hypothesis 5 was rejected, since no significant relationship between discussability and average late pay-

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ment times was found. Hypothesis 6, on the other hand, was supported due to the negative and significant relationship between sanctionability and average late payment times ($\beta = -.183$, $p < .05$). Out of six dimensions of ethical culture, we were able to identify the three that have a significant influence on payment discipline.

Using an alternative model, we also tested the possibility of transparency having an indirect impact on payment discipline through sanctionability and not having a direct impact on payment discipline *per se.* If unethical behavior is visible and unsanctioned, it is more likely to recur; however, if unethical behavior is visible and sanctioned, the likelihood is reduced. In other words, the greater the transparency, the greater the impact of sanctionability. However, the alternative model did not fit the data as well as the main model. All other relationships proposed in the main model were the same (alternative model fit indices: X^2/d.f.=1.651, RMSEA=.049, CFI=.966, GFI=.886; NFI=.918; NNFI=.958, PNFI=.750)

Control variables (current ratio, debt-to-asset ratio and size) did not have significant statistical impact on payment discipline.

Discussion

The results of this study show that some dimensions of ethical culture can predict late payments of enterprises. The first main implication of the study is that the relationship between clarity and average late payment time was negative, as predicted; however, the relationship was statistically insignificant. Kaptein (2008) also failed to confirm a relationship between clarity and unethical behavior. This confirms that the introduction of codes of conduct, with which enterprises usually try to make standards clear, is not enough by itself.

Second, our research showed that feasibility has a statistically significant impact on payment discipline. This means that payment discipline is influenced by the availability of resources to employees in order to fulfill their obligations. If enough financial resources are available, it is easier to pay suppliers on time. If more time is available, it is possible to predict future financial flows, simulate these flows or consider the risks if the enterprise does not receive certain payments on time and foresee possible required measures. If the person responsible for settling bills has the authority to draw on bank credit, he/she can react faster when clients' payments are late or missing, but financial means for settling obligations must be ensured. In other studies, a relationship between liquidity and payment discipline could not be statistically confirmed (Prašnikar et al. 2010); however, our results indicate that feasibility impacts payment discipline, confirming that enterprise resources are an important factor in ensuring payment discipline.

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Third, discussability and supportability have a statistically significant impact on the reduction of unethical behavior in enterprises (Kaptein 2008); however, they have no influence on enterprises' payment discipline. This may be because payment discipline is not be such a taboo topic that it can be discussed only in enterprises with more overt discussability and not in those with less overt discussability (enterprises with a lower level of discussability are more likely to avoid touchy subjects such as gender equality, misleading advertising, etc.). Supportability probably has no influence on payment discipline because the nature of the ethical question of late payments is such that, in following ethical norms, employees are more concerned with the feasibility and availability of resources than with moral support.

Fourth, results showed that sanctionability does significantly reduce late payments. This means that payment discipline is better in enterprises that reward ethical behavior and sanction unethical behavior (i.e., in enterprises in which reward does not depend only on profit). If an enterprise cares not only for profit but also for the satisfaction of all stakeholders and the rewards reflect this, employees will strive to satisfy their suppliers, which means that they will do their best to settle obligations toward them. However, if enterprises reward reaching financial objectives at any cost, then financial department employees might use late payments as free loans from suppliers in order to maximize profit.

Finally, the relationship between transparency and average late payment was also positive, as predicted. Results indicate that transparency increases the late payment counternorm (behaviour that is unacceptable from a social point of view but informally acceptable in the enterprise). This does not mean that transparency increases unethical behavior; it only means that certain kinds of unethical behavior could increase (mostly those kinds of unethical behavior that are not sanctioned by the enterprise).

Contribution and implications for policy makers

The present article represents an important contribution to our understanding of the reasons for late payments. All previous studies on late payments focused only on measuring the scope and trend of this problem as well as on comparisons among various countries (e.g., Intrum Justitia 2011; Intrum Justitia 2012b; Intrum Justitia 2013) or industries (e.g., Intrum Justitia 2008; Intrum Justitia 2012a) or on explaining late payments in terms of enterprises' financial situation (e.g., Prašnikar et al. 2010). To our knowledge, however, the presented research is the first study that examines the non-financial reasons for enterprises' late payments.

The study empirically confirmed that an enterprise's ethics do have an impact on payment discipline. Thus, the financial situation of the enterprise is not the only reason for the occurrence of late payments. A survey about late payments with a sample of 6000 enterprises in 25 European countries showed that as many as

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63% of respondents believe late payments to be deliberate. The present study does not confirm that late payments are deliberate; however, it does confirm a connection between late payments and enterprise ethics.

Previous research on late payments and financial factors (Bole 2002; Prašnikar et al. 2010) yielded mixed results. According to our research, the connection between payment discipline and control variables, such as enterprise size, liquidity and financial leverage, cannot be confirmed. Therefore, we can confirm that sanctionability, feasibility and transparency are more important in predicting late payments than the liquidity of an enterprise (with liquidity meaning the capacity of the enterprise to settle its obligations on time). In this way, our research showed that payment discipline ethics are more important than liquidity (or financial health, since the connection with financial leverage was also not statistically reliable).

In order to solve the problem of late payments, the European Union adopted Directive 2000/35/EC in 2000 (Official Journal of the European Union 2000). Owing to the assumption that late payments were caused by overly low penalty interest rates and lengthy procedures of judicial protection, the directive prescribed a maximum grace period length and high penalty interest rates (ibid.). However, the statistical data on late payments in European countries (e.g., Intrum Justitia 2010) show that the directive failed to yield the expected results. For this reason, in 2011, the EU adopted Directive 2011/7/EU (Official Journal of the European Union 2011), which provides for additional measures. For example, creditors are entitled to obtain a fixed sum of at least 40 EUR from the debtor as compensation for their own recovery costs and to obtain reasonable compensation from the debtor for any recovery costs exceeding that fixed sum, such as instructing them to retain a lawyer or employing a debt collection agency (ibid.: 7).

We expect that the 2011 directive will also fail to yield the expected results for a simple reason. Just like the 2000 directive, the 2011 directive also focuses on charging extra costs to late payers. The costs should increase because, in addition to penalty interest rates, they also include compensation for recovery costs. Since charging penalty interest rates is not common among enterprises, we expect that charging recovery costs will be of no success either. In the European Union, only 7% of enterprises always charge penalty interest rates, 48% charge them rarely and 30% never charge them, because enterprises fear that charging penalty interest rates could be detrimental to their relationship with the client (Commission of the European Communities 2008: 2).

If we want to improve payment discipline, which poses a large problem particularly in the south of Europe (Intrum Justitia 2011), it would be necessary to adopt measures that will not focus only on the level of costs that enterprises are entitled to charge late payers. Our research showed that enterprises' payment

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discipline can be influenced by mobilizing three dimensions of ethical culture: sanctionability, feasibility and transparency. This provides the legislative authorities with a theoretical grounding to shape new practical measures for fighting late payments.

In order to improve enterprises' payment discipline, the policy makers could implement several solutions:

- improve payment discipline of government, government agencies and government-controlled enterprises in order to avoid causing problems with the cash flows of their suppliers,
- establish a suitable banking system that will allow enterprises to obtain appropriate bridging loans relatively easily and at low cost, and
- establish an effective system of mandatory set-offs by which enterprises can obtain payment from their debtors.

Sanctionability refers to penalizing unethical conduct and rewarding ethical conduct. The law already provides means to sanction late payers, but empirical evidence suggests that sellers cannot be the ones to give such sanctions because, in most cases, they are afraid that they will lose customers if they charge interest. We believe that sanctions (and rewards) could be more efficient if such sanctions were in the hands of the government.

Policy makers have many means by which they can influence payment discipline by rewarding regular payers. Late payments represent enterprises' choice to engage in unethical conduct simply due to the fact that the benefits of such conduct outweigh the consequences; specifically, the enterprise benefits from free financing, especially since penalty interest rates are usually not applied. If enterprises were rewarded for paying bills on time, they would be better motivated to engage in such ethical conduct. The state thus has two options for rewarding regular payers: financial rewards and symbolic rewards.

Symbolic rewards could include publicly available lists of compliant payers and the introduction of a 'reliable payer' standard, which would set criteria for meeting and controlling adherence to standards. Besides the symbolic reward, both methods would have an indirect financial effect, because such enterprises would have greater negotiating power and could negotiate better procurement conditions than those for enterprises that are poor payers. Financial rewards could also take the form of tax incentives. Similar to the tax incentives for investments in fixed capital and investments in research and development, tax incentives could also be introduced for enterprises that settle their obligations toward suppliers within specified limits.

In both symbolic and financial rewarding, it is first necessary to identify enterprises that are timely payers and those that are not. In some countries, this can be done at practically no additional cost either to the state or to the enterprises. Slovenia, for example, has enforced the Prevention of Late Payments Act (Offi-

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cial Journal of the Republic of Slovenia 2011), which requires declaration of obligations due for a set-off that is carried out by a state agency. This means that the data are being collected; however, they are not available to the public. The authors of the present study were denied access to such data even for research purposes. However, these data could serve as a potential basis for judging the payment discipline of individual enterprises and, thus, their eligibility for a symbolic or financial reward.

We believe that transparency reduces those unethical acts that are usually sanctioned if uncovered and at the same time helps to establish counternorms (norms that are unacceptable from a social point of view but are informally accepted by the enterprise members). Unpublishing enterprises' payment discipline (or rewarding payment discipline) by the government, it can act as a counternorm. If governments would like payment discipline to become an enterprise goal, then they should try to change the normative structure of the enterprise. This can be achieved with sanctionability measures and role modelling (government payment discipline).

Another important contribution of the presented study is the validation of ethical culture as a multidimensional construct and a measurement instrument for measuring ethical culture dimensions (Kaptein 2008). The fact that only three of the six dimensions of ethical culture that were analysed had a statistically significant impact on payment discipline confirms Kaptein's (2008) assumption that ethical culture is a multidimensional concept and that, in determining the impact of ethical culture on the response variable, it is necessary to establish which dimensions of ethical culture have such an impact.

Limitations and implications for future research

These study results represent an important link between ethics and payment discipline; however, several limitations should be considered. First, the study investigates the research topic on a sample of Slovenian enterprises, and, therefore, the generalizability of the results to a broader context is limited.

Another limitation concerns possible data inaccuracy. The data about average late payment time of an individual enterprise were not calculated on the basis of all invoices received but rather on only a sample of invoices. Ethical culture data were obtained by surveying one person from each enterprise. While this is to some extent acceptable because we focused on the differences between enterprises and not on common perceptions inside the enterprise (Kaptein 2011b), more valid results would be likely obtained if several individuals in each enterprise were to assess its ethical culture.

Further studies should obtain data from more countries. Comparing the impact of individual dimensions of ethical culture across countries would be a welcome contribution, especially in those with good and those with poor payment disci-

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pline. Our research did not take into account the relationships between characteristics of national culture and payment discipline. Such research could use dimensions of national cultures from the GLOBE study (House et al. 2004) that were already successfully used in studies linking national culture dimension with firm-level tax evasion (Bame-Aldred et al. 2013) or examining an enterprise's ethics from an environmental point of view (Parboteeah et al. 2012). It would also be interesting to find out whether late payments can be explained by enterprises' ethical climate.

The enlarged European Union is composed of highly developed Western European countries and transition countries from Central and Eastern Europe. Since economic integration promotes competitiveness and growth (Vojinović et al. 2010) and it is believed that the economic benefits of integration outweigh the losses (Oplotnik et al. 2011), the impact of the integration processes of the European countries on their payment discipline should be analysed. There is a clear tendency toward convergence in terms of GDP per capita (Vojinović/Oplotnik 2008; Vojinović et al. 2009). However, there is no data or research on the impact of the integration in Europe on payment discipline of European countries.

Since the study showed a correlation between late payments and transparency, it would be necessary to test the assumption that transparency, on the one hand, reduces those unethical actions that are subject to penalty in the enterprise and, on the other hand, enhances the occurrence of counter-norms (behaviors that are unacceptable from a social point of view but are informally accepted in the enterprise).

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Appendix

The adapted Kaptein (2008) instrument had these items:

1. The organization makes it sufficiently clear to me how I should conduct myself appropriately toward others within the organization.
2. The organization makes it sufficiently clear to me how I should obtain proper authorization.
3. The organization makes it sufficiently clear to me how I should use company equipment responsibly.
4. The organization makes it sufficiently clear to me how I should use my working hours responsibly.
5. The organization makes it sufficiently clear to me how I should handle money and other financial assets responsibly.
6. The organization makes it sufficiently clear to me how I should deal with conflicts of interests and sideline activities responsibly.
7. The organization makes it sufficiently clear to me how I should deal with confidential information responsibly.
8. The organization makes it sufficiently clear to me how I should deal with external persons and organizations responsibly.
9. The organization makes it sufficiently clear to me how I should deal with environmental issues in a responsible way.
10. In my immediate working environment, it is sufficiently clear how we are expected to conduct ourselves in a responsible way.

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11. In my immediate working environment, I am sometimes asked to do things that conflict with my conscience.
12. In order to be successful in my organization, I sometimes have to sacrifice my personal norms and values.
13. I have insufficient time at my disposal to carry out my tasks responsibly.
14. I have insufficient information at my disposal to carry out my tasks responsibly.
15. I have inadequate resources at my disposal to carry out my tasks responsibly.
16. In my job, I am sometimes put under pressure to break the rules.
17. In my immediate working environment, everyone is totally committed to the (stipulated) norms and values of the organization.
18. In my immediate working environment, an atmosphere of mutual trust prevails.
19. In my immediate working environment, everyone has the best interests of the organization at heart.
20. In my immediate working environment, a mutual relationship of trust prevails between employees and management.
21. In my immediate working environment, everyone takes the existing norms and standards seriously.
22. In my immediate working environment, everyone treats one another with respect.
23. If a colleague does something which is not permitted, my manager will find out about it.
24. If a colleague does something which is not permitted, I or another colleague will find out about it.
25. If my manager does something which is not permitted, someone in the organization will find out about it.
26. If I criticize other people's behavior, I will receive feedback on any action taken as a result of my criticism.
27. In my immediate working environment, there is adequate awareness of potential violations and incidents in the organization.
28. In my immediate working environment, adequate checks are carried out to detect violations and unethical conduct.
29. Management is aware of the type of incidents and unethical conduct that occur in my immediate working environment.
30. In my immediate working environment, reports of unethical conduct are handled with caution.
31. In my immediate working environment, I have the opportunity to express my opinion.
32. In my immediate working environment, there is adequate scope to discuss unethical conduct.

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33. In my immediate working environment, reports of unethical conduct are taken seriously.
34. In my immediate working environment, there is adequate scope to discuss personal moral dilemmas.
35. In my immediate working environment, there is adequate scope to report unethical conduct.
36. In my immediate working environment, there is ample opportunity for discussing moral dilemmas.
37. If someone is called to account for his/her conduct, it is done in a respectful manner.
38. In my immediate working environment, there is adequate scope to correct unethical conduct.
39. If reported unethical conduct in my immediate working environment does not receive adequate attention, there is sufficient opportunity to raise the matter elsewhere in the organization.
40. In my immediate working environment, people are accountable for their actions.
41. In my immediate working environment, ethical conduct is valued highly.
42. In my immediate working environment, only people with integrity are considered for promotion.
43. If necessary, my manager will be disciplined if s/he behaves unethically.
44. The people that are successful in my immediate working environment stick to the norms and standards of the organization.
45. In my immediate working environment, ethical conduct is rewarded.
46. In my immediate working environment, employees will be disciplined if they behave unethically.
47. If I reported unethical conduct to management, I believe those involved would be disciplined fairly regardless of their position.
48. In my immediate working environment, employees who conduct themselves with integrity stand a greater chance to receive a positive performance appraisal than employees who conduct themselves without integrity.

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