



A Study on the Impact of Integrity Testing on Enhancing the Code of Ethics in the Financial Sector in Gauteng

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ABSTRACT

A Code of Ethics outlines principles that project honesty and integrity to help guide individuals when making business decisions. The Code outlines the organisations mission and sometimes values to ensure ethical dealings are carried out by employees. As seen by the demise of many organisations, the mere reliance on the fact that an employee acknowledges the Code of Ethics does not ensure that the employee will be governed by the ethical principles. The purpose of this study was to evaluate whether integrity testing could contribute to the enhancement of the principles of the Code of Ethics. Integrity is based on the consistency of morals and values carried out. Quantitative techniques were used to analyse integrity test results. In line with theoretical knowledge, the statistical results revealed correlations as well as collective measures of employee behaviours and attitudes that would impact on the principles of the Code of Ethics and the organisation as a whole.

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Introduction

The KPMG Africa Fraud Barometer (KPMG, 2013) for the period 01 January 2012 to 30 June 2012, revealed that South Africa had the highest number of reported fraud cases in Africa with government holding the top spot and the Financial Services Sector coming in at second place. PriceWaterhouseCoopers (2014) found that cybercrime and bribery and corruption in the financial services sector were the most common crimes, and there was little reduction in instances of such crimes between the years 2011 and 2014. They also found that about 43% of all fraud in the financial services is committed by employees, with the vast majority in the junior staff and middle management segment while senior management made up about 20% of that number. This is a global phenomenon which has been accelerated by rapid technological developments.

Within the financial services sector, banking organisations have not been left unscathed, despite regulatory controls and internal controls; more than 4 950 cases were reported to the Banking Ombudsman in the 2013 financial year (Ombudsman for Banking Services, 2013) with 1197 of those complaints being upheld. Insurance companies have fared poorly in this regard as well with the Ombudsman for Short-Term Insurance (OSTI, 2013) reporting 9 368 cases, and the Ombudsman for Long-Term Insurance (2013) reporting 10 028 cases in 2013. The Rand value of cases decided in favour of the consumer exceeded R220 million. The litany of cases could go on because there are 12 statutory ombuds and oversight bodies in South Africa, all of which deal with many cases involving fraud and corruption. From this very brief overview, it can be seen that this is a perennial and deep-seated problem that needs to be addressed, because it is detrimental to the economy of the country.

The question then arises as to what more financial services organisations can do to minimise fraud by employees.

Background to the Problem

The Consequences of not Managing Unethical Behaviour

As discussed in Monahan (2012: 56) in recent years, the unethical behaviour of employees has resulted in corporate and economic collapses across the world. In 2008, the fall of

Lehman Brothers, as well as the housing market crash were symptoms of underlying unethical behaviour of staff in financial service providers. Even with the establishment of professional bodies for ethics, many large companies, who for the sake of gain, overextended credit to consumers and misrepresented the financial affairs of their companies, fell victim to human greed. In South Africa similar circumstances were faced by Regal Treasury Private Bank who criminally prosecuted their CEO and other bank officials for alleged fraud through the manipulation of Corporate Governance Fin24.com (2002). Decisions that management face on a daily basis in an environment where white collar crime is rife and morals are not regarded as being a priority, make many businesses susceptible to fraud and corruption.

The Structure of the Financial Services Industry in South Africa

The main regulatory authorities currently associated with the financial services industry are the South African Reserve Bank (SARB), the Financial Services Board (FSB), the South African Revenue Services (SARS), and the Companies and Intellectual Properties Commission (CIPC), all of which work closely with a variety of advisory committees to fulfil their regulatory and supervisory duties and report to the Minister of Finance. There are also oversight bodies appointed for each of these financial services under various Acts of Parliament, as has been noted above, as well as a number of professional bodies. Each of these bodies has a code of conduct which employees are expected to abide by.

Employment in the Financial Services Sector

In banking and finance one of the key professional characteristics of an employee is his integrity. The collapse of many firms within the past years due to fraud and corruption by key managers highlights the importance of having and maintaining honest, trustworthy and ethical staff. A lack of judgement and poor actions has not only resulted in financial losses to many companies but has also caused significant reputational damage and decreased trust in those companies. When a company is consciously aware of the integrity and professionalism of its staff, it highlights to the market that the

Company maintains its ethical standards and promotes investor confidence in that company.

Codes of Good Conduct

Table 1.1 below shows the basic contents of three codes of conduct that are employed by various financial services bodies in South Africa.

Table 1.1. Comparison of Code of Ethics

Criteria	The Code of Banking Practice	The General Code of Conduct for Authorised Financial Services Providers and their Representatives	The Financial Intermediaries Association of Southern Africa (FIA)
Reference	Banking Association of South Africa, 2014: n. p.	(FAIS Act, 2002: 3)	(FIA, 2014)
Main concept	Consumer protection	Interests of the client	Protection and representation of members
Governance principles	Fairness, transparency, accountability and reliability	Honesty, fairness, due skill, care and diligence, integrity	Professionalism, competence, ethics. King III, BBEEE, Financial Sector Charter
Voluntary	Yes	Yes	Yes "self-imposed standard"
Complaint resolution	Yes	Yes	Yes

These codes are typical of other associations and professional bodies in the financial sector. The problem is not with the codes – it is member compliance with the codes that is the issue.

Problem Statement

This study determines and analyses whether the implementation of integrity testing on management staff could enhance compliance with the different regulatory bodies Code of Ethics within the financial services sector.

The different results achieved from the integrity test questionnaires brings about interesting insight into staff character traits and reactions to different situational scenarios that could have a bearing on the individuals' ability to maintain the principles of ethical conduct outlined in the different Codes.

Objectives of the Study

A code of ethics in the Financial Services Sector, that being; The Code of Banking Practice, The General Code of Conduct for Authorised Financial Services Providers and their Representatives and The Financial Intermediaries Association of Southern Africa (FIA), are governance codes put in place in order to deter an individual from potential threats that he/she faces, but once it is signed it is almost instantaneously forgotten. In order to mitigate the risk of divergence from the code of ethics, this research will explore whether the use of integrity testing could help identify individuals who could possibly be swayed towards making unethical decisions.

The research objectives of this study are the following:

- To determine the scores obtained by employees in the financial services sector on a range of integrity factors;
- To examine the influence of integrity testing on compliance with the Code of Ethics;

Literature Review

The Definition of Integrity

A person who has integrity is defined as a 'person or party when they consistently act in an ethical manner' (Husted, 1998: Mishra, 1996, cited in Rossouw & Vuuren 2010:149); Anderson (2012:n.p.) 'Integrity is doing the right thing at all times and in

all circumstances, whether or not anyone is watching.' Webster's dictionary (2014:n.p.) defines integrity as:

- 'The state or quality of being entire or complete; wholeness; entireness; unbroken state; as, the integrity of an empire or territory
- Moral soundness; honesty; freedom from corrupting influence or motive; - used especially with reference to the fulfilment of contracts, the discharge of agencies, trusts, and the like; uprightness; rectitude.
- Unimpaired, unadulterated, or genuine state; entire correspondence with an original condition; purity.'

With reference to the above definitions, when one is faced on a daily basis with decisions that require consistent ethical judgement there is often a fine line between behaving ethically and achieving required goals and targets faster than others without a second thought to the ethical implications or taking a few minutes before making a decision to consider the ethical ramifications. In one sense, we could argue that achieving the goals set for us by our employers is ethical behaviour – we are, after all, employed to make an organisation succeed and make the stakeholders and shareholders happy, and we do that by working hard. We, therefore, tend to 'live in a world where the end justifies the means' (Anderson, 2012:n.p).

Components of Integrity

Rossouw and Vuuren (2010:149) stated that 'the link between integrity and ethics is so intimate that the two concepts are often used as synonyms'. Integrity relies on a set of ethical values and consistent adherence thereto. It therefore is essential to identify the ethical values and standards that staff members should adhere to, and to put in place policies and procedures that will enhance the integrity of companies. Active steps, such as training programmes and performance evaluations, should be put in place to ensure that these ethical values and standards are embraced and respected by everyone in the company (Rossouw and Vuuren, 2010:149).

The components of integrity may be in place but a deeper root to individual's integrity and principles stems from the historical 'person-situation debate' as described by Trevinyo-Rodriguez (2007:75). This debate involves a difference of opinion between those who viewed behaviour as organised and purposive and others that perceived behaviour as mechanistic and habitual (ibid.).

The 'person' argument was rationalised by the belief that an individuals' actions are similar in most instances, apart from where there is change in circumstance; while behaviour is actually a result of a person's personality traits. The 'situation' argument was rationalised by the belief that behaviour was a result of the present situation and that outcomes of behaviour would always be situation-based. It would therefore follow that a person's behaviour would be adapted as the situation changed.

Poon and Hoxley (2010:261) stated that the concept of professional ethics is partly concerned with what a professional should or should not do in their professional life. 'If a professional is to comply with an ethical framework then that person needs to adopt that conduct in all of his or her dealings.' They further stated (ibid.) that 'ethical behaviour is measured by the degree of trustworthiness and integrity with which companies and individuals conduct business.'

Moral theory, as discussed by Poon and Hoxley (2010:262), includes guidance and explanatory functions to describe the how and why elements used when individuals make decisions as well as the beliefs for those decisions.

Table 1.2. Briefly summarises the person-situation debate.

Table 1.2. The person-situation debate

Issue of contention	Person position	Situation position
Central cause of behaviour	Person	Situation
Similarity of multiple behaviours of one individual	Similar	Variable
Usefulness of describing an individual's way of acting	Useful	Not useful
Existence of traits	Traits exist	Traits do not exist (but personality might)
Appropriate focus of study	Structure of differences between people, correlations among differences	Process: reactions to situations, psychological functioning

Source: Fleeson (2004:2); Adapted from Treviño-Rodriguez (2007:76)

Moral Theory

The Relationship between Management and Ethics Theories

Management integrity as defined in Petrick and Quinn (1997:60) 'is the individual process of repeated alignment of moral awareness, judgment, character and conduct that demonstrates balanced judgment and promotes sustained moral development at all levels of managerial practice'. They found that management integrity was closely aligned to the use of specific managerial theories, ethical competencies and moral complexity. For example, if one were to think about a management theory such as managerial power (Chen, Ezzamel and Cai, 2011:3), we can see that having various kinds of power, to a greater or lesser extent, influences the way in which managers make decisions. They may also have different kinds of power at different times or in different situations so that power is not static and depending on the power that is available to them, they would act accordingly. This is called the principle of expediency.

According to Petrick and Quinn (1997:62) 'managerial expediency is an amoral type of decision-making style that ignores, represses, or denies the ethical point of view'. The pressure of deadlines, the push to make quick impulsive decisions and achieve more than the next person is often the cause which makes management try and achieve targets in the shortest time-frame. The pertinent questions about long-term repercussions, the effect on others and consequences of actions are overlooked. Under such circumstances, it is difficult for managers to make principled decisions based on ethical values. Petrick and Quinn (1997:62) identified three possible examples of moral expediency, namely: the opportunist, the chameleon and the hypocrite.

It can be implied that managers who practise moral expediency in any of the ways illustrated in the table would themselves be susceptible to immoral acts, such as fraud, bribery and corruption.

Ethical conduct

'Ethical conduct is the process of engaging in and carrying out justifiable actions' as defined in Petrick and Quinn (1997:106). There is a difference between ethical conduct and moral behaviour as behaviour is associated with conforming to rules and the organisational environment. Ethical conduct 'is the action of an agent for which both descriptive, causal explanations and prescriptive, normative justifications are appropriate' (Petrick & Quinn, 1997:106).

Table 1.3. Examples of moral expediency

	The opportunist	The chameleon	The hypocrite
Motivation	Self-advancement	Popularity/approval	Reputation
Behaviour	Manipulation of others and the situation	Adapts to any context; no strong moral convictions	Insincere, no follow through on commitments, no moral fibre

Source: Petrick and Quinn (1997:62)

In the banking sector, ethical conduct is often seen to be a characteristic of an organisation as opposed to an individual; although naturally individuals make the decisions. A recent example is the manipulation of interest rates by Lloyd's Banking Group (Irwin, 2014:n. p.). The Governor of the Bank of England wrote the following in a strongly worded letter to the head of Lloyds:

'Such manipulation is highly reprehensible, clearly unlawful and may amount to criminal conduct on the part of the individuals involved. It reduced not only the amount of fees payable by the Firms but also the fees payable by other firms using the SLS. The Bank's calculations show that the total reduction in fees received by the Bank may have been as high as £7.76 million.' (Carney, 2014: n. p.)

In this instance the company is being addressed, but it is clear that the unethical conduct of individuals is really the problem.

Code of Ethics

Business ethics is primarily concerned with the relationship between business goals and techniques and their impact on human beings, whether this is a customer of the organisation or the wider community in which the business is situated. While it does not focus on the obligations which man has as a private individual and a citizen, these cannot be ignored since the businessman is necessarily an individual first, who lives within a society second and who works within an organisation third. The person is therefore inseparable. This means that business ethics is concerned with the special obligations which a man and a citizen accepts when he becomes a part of the world of commerce. We have already seen that ethics concerns judgements about what people do (Tran, 2008:159). To reiterate:

- 'Ethics is concerned with what ought to be done; and
- Ethics is concerned with human conduct' (ibid.).

Translating that into the business world, business ethics is thus any conduct that is carried out in terms of the prevailing norms and expectations of society. A company that is regarded as ethical would take the interests of its stakeholders into account, whether they be shareholders, investors, customers, the government or the community and does its best to comply with the norms and meet the expectations of these various groups of people. However, this may be easier said than done, with ethical dilemmas raising their heads every day. A typology of ethical problems in business was suggested by Geva (2006:134) that combines the two dimensions of moral conduct:

- The judgment dimension, whether or not the guiding precepts involve ethical conflict; and
- The motivational dimension, whether or not narrow self-interest undermines the motivation to act on moral judgments.

The cross-classification of these two dimensions produces four possible combinations, each defining a different type of ethical problem and, accordingly different lines of coping strategy. According to Geva (2006:134), the first is a genuine ethical dilemma, in which one is unsure as to what one ought to

do, but has the will and ability to do what is right. The second is a compliance problem, where one knows what the moral obligations are, but experiences difficulty in fulfilling them. The third is moral laxity, which means that one acknowledges a general moral duty, but given that there is an indefinite range of ways to fulfil this duty is unsure as to what exactly should be done and fails to take serious steps toward pursuit of the general duty. The fourth is a no-problem problem, which means one knows what the moral obligations are, and therefore has no will or ability to fulfil them.

Developments in Integrity Test Research

Integrity test research developments have spanned a number of years (Berry, Sackett and Wanek, 2007: 271). The research investigated how integrity tests are linked to situational variables, and aligns with some of the objectives of the current study, in that Berry et al. (2007:277) highlighted that 'the fact that there are situational correlates of integrity test scores, suggests that changing the situation an individual is in, may result in a change in integrity test scores'. Taking this statement into consideration, one can deduce the importance of continuous integrity testing, since an individual employed within a corporate environment is constantly facing decisions resulting from a changing environment.

Blickle, Schlegel, Fassbender and Klein (2006:221) conducted the first-cross sectional study in Europe examining personality correlates of white-collar crime in business. The study was based on testing four hypotheses relating to hedonism, Narcissistic Personality Disorder, behavioural self-control and conscientiousness of high-level white collar criminal prison inmates and managers in various companies. They believed that the best measure would have been personality-based integrity testing but at the time of the study there was no European integrity scale available and thus they carried out hypothesis testing adding to research in Europe for future studies.

The study conducted confirmed the following hypothesis

Table 1.4. Hypothesis results

	Result
Hypothesis 1	The greater the hedonist, the greater the tendency to commit economic offenses
Hypothesis 2	The more features of Narcissistic Personality Disorder present in the high-ranking individual, the greater the probability to commit a white-collar crime
Hypothesis 3	The lower the behavioural self-control of the high ranking individual, the greater the probability to commit a white collar crime

Source: Blickle et al (2006:223)

The results of Hypothesis 1 concluded that the higher value a person places on material things and individual wealth (hedonists) in business, the greater the degree that individual would commit a criminal act.

Hypothesis 2 reveals that the greater the need for admiration and grandiosity coupled with a lack of guilt or empathy to achieve their success at any price was prevalent amongst white-collar criminals.

Hypothesis 3 concludes that individuals who have low behavioural self-control, for example 'school misconduct, substance abuse, physical aggression, wastefulness, absenteeism and tardiness, reckless driving, social problem behaviour, job quitting or promiscuous sex' (Blickle et al, 2006:223) are more likely to engage in white-collar crime as they correlate over time.

Hypothesis 4 stated that 'the higher the rating of conscientiousness that a person in a high-ranking white-collar position gives himself, the lower the probability that this person will commit a white-collar crime'. (Blickle et al, 2006:223) The

results were contrary to this hypothesis in that the conscientious score was higher in the white-collar criminal group than in the non-criminal group. From this result it was therefore concluded that 'very high technical proficiency resulting from a high degree of conscientiousness makes a manager ready and willing to undertake a criminal act' (Blickle et al, 2006:230).

Research Methodology

Research Approach

Borrego, Douglas and Amelink (2009:54) state that the purpose of quantitative data analysis is a tool to project the findings onto a larger population. This is often performed by sampling surveys administered and using those to make inferences and draw conclusions through statistical analysis. The IP-200 integrity test was used in this study as at the heart of its' characteristic approach 'lays an objective, reliable and valid instrument to survey the organisation in order to assess and diagnose integrity and to monitor the progress made with the process in a developmental sense and promoting Good Corporate Governance...' (Fick, 2002: 117).

Bailey (2014:169) describes qualitative research as that which is 'normally recognisable by the use of methods that include, at least, in-depth interview and group-moderation techniques.' Due to the nature of qualitative research coupled with the data that this study was based on, qualitative research methodology would not have been appropriate.

Quantitative research methodology was considered more appropriate than qualitative in this study because addressing the research problem required statistical analysis to be performed on data integrity test results obtained from the Financial Services Sector.

The quantitative research methodology used involved the collection and correlational analysis of the data from the ten sub-structures within the integrity tests. The cumulative integrity scores were also measured as a percentage to obtain the overall integrity levels of the employees. This was in line with Hooda (2005:12) who defines quantitative data as 'the outcomes of a variable which is essentially quantifiable in definite units of measurement.'

The correlational research method was used to determine relationships and the strength between sub-structures through statistical analysis. Rumrill (2004:255) defines correlational research as 'one that characterises the nature and magnitude of the relationship between two quantitatively coded variables. The independent variables in correlational studies must be continuous in nature, meaning that scores fall along a continuum from low to high levels of the variable. The dependant variable in correlational research is usually (but not always) continuous as well'.

Integrity, being the overall variable in the study was measured through the aggregation of scores achieved by testees from the ten structures in the IP-200 test.

Target Population

This study's target population comprised of various financial services sector employees in Gauteng who were employed at management level. These 2147 individuals undertook the IP-200 integrity test conducted by IPAC (Pty) Ltd, a professional human risk management company that facilitated the integrity testing on behalf of the various financial service companies.

Reliability of the Instrument

Discriminants for IP-200's ten substructures revealed that the test succeeded well amongst respondents with good integrity and those with lesser levels of integrity by achieving 'a

discriminant validity of $r = 0.66$ which is considered significant and acceptable' (Fick, 2002:443).

Data Analysis

For this study the collection of categorical and numerical data was statistically analysed through the use of IBM SPSS 22. The statistical analysis comprised of both descriptive and inferential statistics through the use of histograms, correlation relationship testing and factor analysis. Wegner (2012:7) describes descriptive statistics as that which 'condenses sample data into a few summary descriptive measures'. Through the use of descriptive statistics, patterns, relationships and trends can be identified, while inferential statistics generalises sample findings to the broader population (Wegner, 2012:7).

Research Findings

What do the integrity test scores reveal about the employees within the financial services sector?

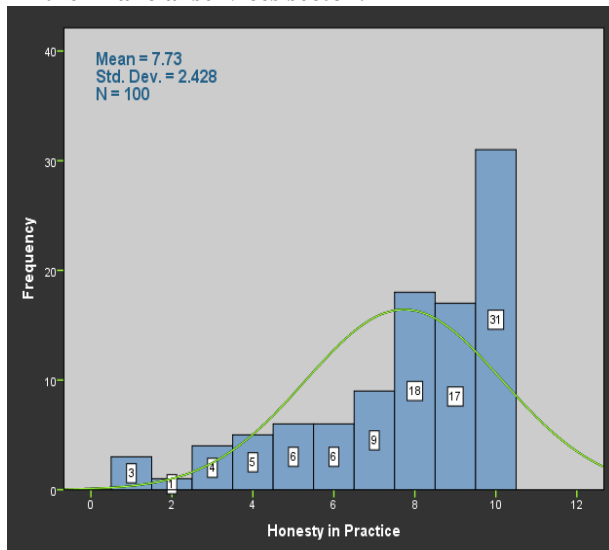


Figure 1.1. Honesty in Practice Histogram

The sub-structure testing for Honesty in Practice of the employee generated a mean of 7.73 with a standard deviation of 2.428. The most common score of 10 was achieved by 31 employees while 18 scored 8 and 17 scored 9. Therefore 66% of employees scored 8 and over for Honesty in Practice.

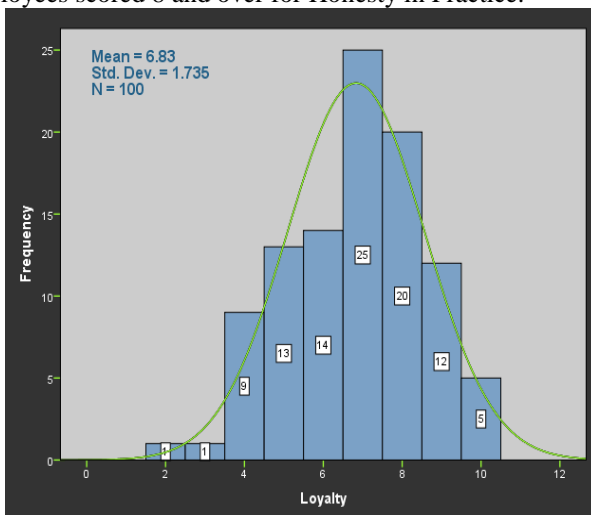


Figure 1.2. Loyalty Histogram

The sub-structure testing for Loyalty of the employee generated a mean of 6.83 with a standard deviation of 1.735. The most common score of 7 was achieved by 25 employees while 20 scored 8, 12 scored 9 and 5 scored 10. Therefore 37% of employees scored 8 and over for Loyalty.

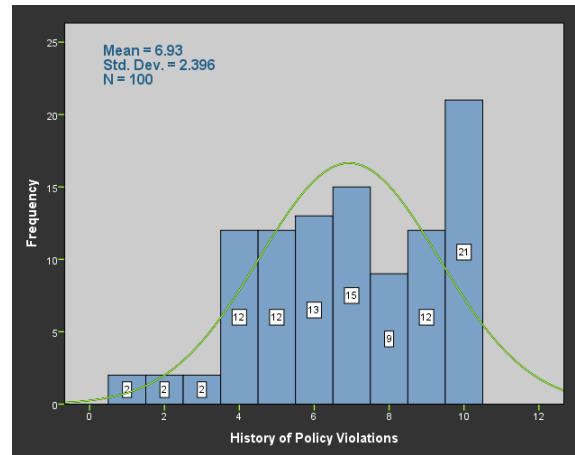


Figure 1.3. History of Policy Violations Histogram

The sub-structure testing for Honesty of Policy Violations of the employee generated a mean of 6.93 with a standard deviation of 2.396. The most common and highest score of 10 was achieved by 21 employees while 9 scored 8 and 12 scored 9. Therefore 42% of employees scored 8 and over for Honesty of Policy Violations.

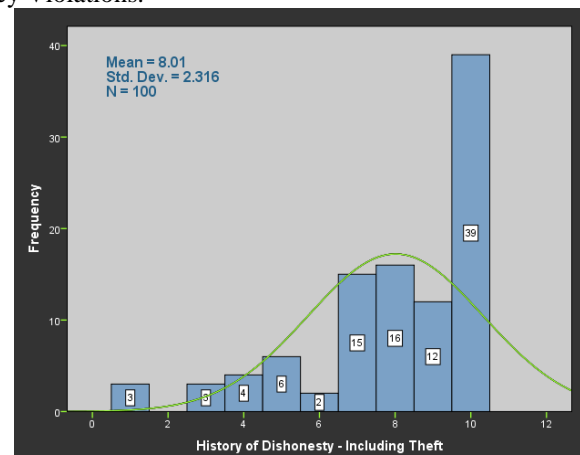


Figure 1.4. History of Dishonesty - Including Theft Histogram

The sub-structure testing for History of Dishonesty - Including Theft of the employee generated a mean of 8.01 with a standard deviation of 2.316. The most common and highest score of 10 was achieved by 39 employees while 16 scored 8 and 12 scored 9. Therefore 67% of employees scored 8 and over for History of Dishonesty - Including Theft.

Correlation analysis

Wegner (2012:299) describes correlational analysis as a statistical method with the objective to quantify the relationship between variables as well as to measure the strength of the relationship between the variables. Significant correlations at a 0.05 level (2-tailed) were achieved for the following structures, (per section) variables.

Interpretation of the statistics

The integrity scores

It was discussed that in order for a professional to comply with an ethical framework, that individual would need to adopt that conduct in all of his dealings. Bearing this in mind, some of the seven most common reasons for adopting a Code of Ethics were to ensure employee, management and supplier compliance and minimise risk, provide a guide for behaviour and formalised expectations and creating and maintain trust and confidence with stakeholders.

A high score achieved for a particular test area, was indicative of a greater likelihood for that test category. The

largest number of employees scored a result of 10, out of the 100 employees tested for figures 1.3 which related to 'History of Policy Violations'. Only 42% of the 100 tested scored 8 and above, meaning that the 58% remainder of employees had a history of policy violations.

This brings into question, and concern as to what hiring techniques were used and whether background checks were performed. It also could occur that if these groups of employees had violated policy once before and if the same situation arose he/she could violate policy once again. To be an integral person as defined above is doing the right thing consistently, the results of this statement would therefore find that 58% of the employees who had a history of policy violations could lack integrity if they found themselves in the same situation that caused them to violate policy before.

By accepting these results, it would be assuming that an individual and morality is static, which is contrary to what is discussed in Haidt and Joseph (2006:4), which highlights that morality changes as people grow older and circumstances change and it is not a finite aspect of life.

Figure 1.2 'Loyalty' showed that the majority of employees scored a 7 while only 37% scored above 8 indicative that the majority of employees were not loyal individuals which places a question mark over their allegiance to the institution.

Table 1.5. Correlations between Structures

Section/Variables	Pearson's Correlation/Significance/ Observations (r)/(p-value)/(N)	Results	Interpretation
SECTION 2	Pearson Correlation Sig. (2-tailed) N	SECTION 9 0.957 0.010 5	Positive correlation between Trustworthiness and Transformation Commitment and Management Integrity
SECTION 5	Pearson Correlation Sig. (2-tailed) N	SECTION 6 0.941 0.017 5	Positive correlation between Attitudes – Integrity Constraining and Functional vs Dysfunctional Behaviour
SECTION 5	Pearson Correlation Sig. (2-tailed) N	SECTION 8 -0.889 0.043 5	Negative correlation between Attitudes – Integrity Constraining and Values

The correlation above highlights the correlations between the structures per section.

The sub-structure testing for Attitude to Corporate Property, Image, Management & Goals of the employee generated a mean of 7.15 with a standard deviation of 2.171. Of the employees tested, 19 employees scored a high of 10 while 14 and 12 scored 8 and 9 respectively. Therefore 45% of employees scored 8 and over for Attitude to Corporate Property, Image, Management & Goals.

The influence of integrity testing on compliance with the Code of Ethics

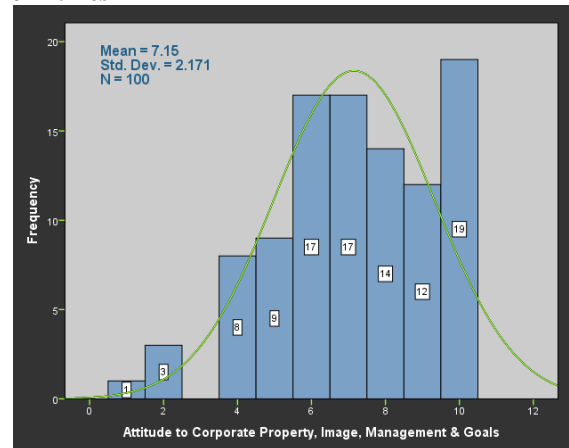


Figure 1.5. Attitude to Corporate Property, Image, Management & Goals Histogram

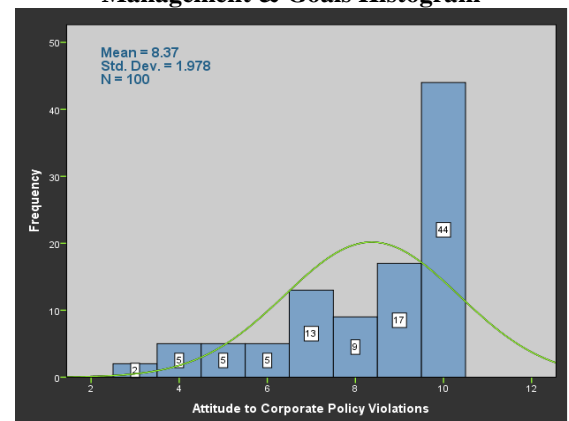


Figure 1.6. Attitude to Corporate Policy Violations Histogram

The sub-structure testing for Attitude to Corporate Policy Violations of the employee generated a mean of 8.37 with a standard deviation of 1.978. Of the employees tested, 44 employees scored a high of 10 while 9 and 17 scored 8 and 9 respectively. Therefore 70% of employees scored 8 and over for Attitude to Corporate Policy Violations.

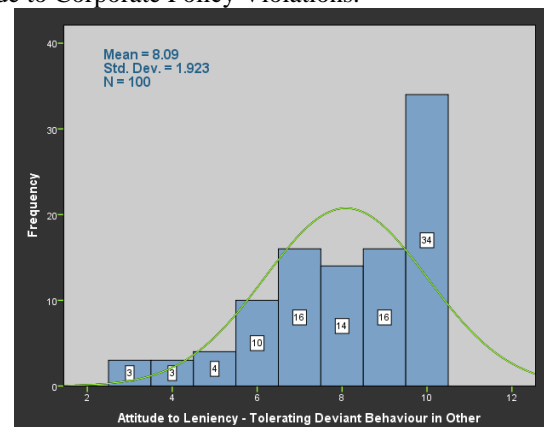


Figure 1.7. Attitude to Leniency – Tolerating Deviant Behaviour in Others Histogram

The sub-structure testing for Attitude to Leniency – Tolerating Deviant Behaviour in Others of the employee generated a mean of 8.09 with a standard deviation of 1.923. Of the employees tested, 34 employees scored a high of 10 while 14 and 16 scored 8 and 9 respectively. Therefore 64% of employees scored 8 and over for Attitude to Leniency – Tolerating Deviant Behaviour in Others.

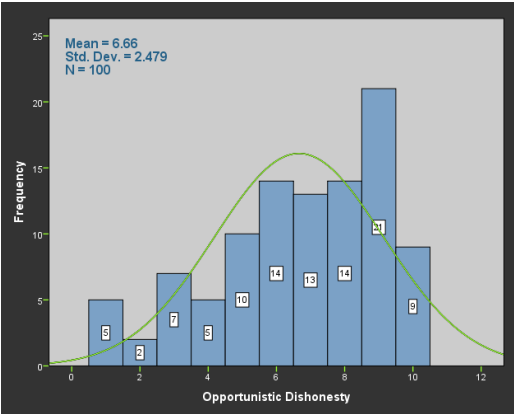


Figure 1.8. Opportunistic Dishonesty Histogram

The sub-structure testing for Opportunistic Dishonesty of the employee generated a mean of 6.66 with a standard deviation of 2.479. Of the employees tested, 9 employees scored a high of 10 while 14 and 21 scored 8 and 9 respectively. Therefore 44% of employees scored 8 and over for Opportunistic Dishonesty of the employee.

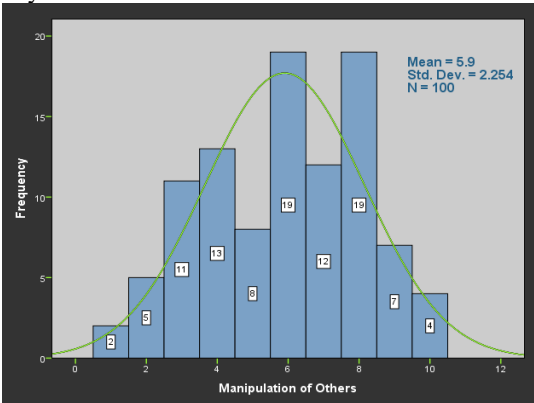


Figure 1.9. Manipulation of Others Histogram

The sub-structure testing for Manipulation of Others of the employee generated a mean of 5.9 with a standard deviation of 2.254. Of the employees tested, 19 employees scored 8 while 7 and 4 scored 9 and 10 respectively. Therefore 30% of employees scored 8 and over for Manipulation of Others.

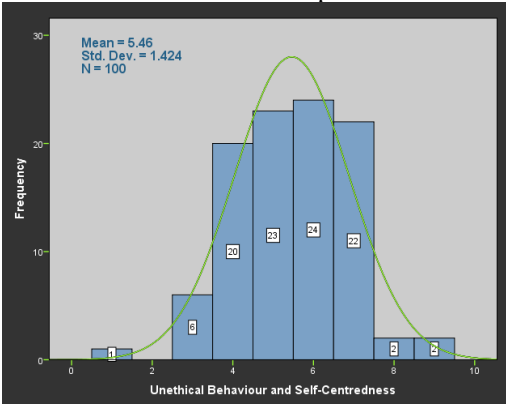


Figure 1.10. Unethical Behaviour and Self-Centredness Histogram

The sub-structure testing for Unethical Behaviour and Self-Centredness of the employee generated a mean of 5.46 with a standard deviation of 1.424.

The largest number of 24 employees scored 6 while 2 employees scored 8 and 9 and 0 scored 10. Therefore 4% of employees scored 8 and over for Unethical Behaviour and Self-Centredness.

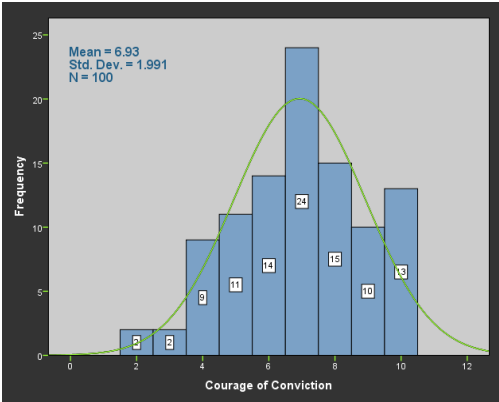


Figure 1.11. Courage of Conviction Histogram

The sub-structure testing for Courage of Conviction of the employee generated a mean of 5.46 with a standard deviation of 1.424. The largest number of 24 employees scored 7 while 15, 10 and 13 employees scored 8 and 9 and 10 respectively. Therefore 38% of employees scored 8 and over for Courage of Conviction.

Table 1.6. Percentage of Respondents Total Scores

Total Test Score of Respondents	Percentage
5	7%
6	18%
7	30%
8	34%
9	9%
10	2%
Total Percentage	100%

The results revealed that the majority of 34% and 30% of total respondents scored 8 and 7 while 9% scored 9 and 2% scored 10.

‘Attitude to Corporate Property, Image, Management and Goals’ (figure 1.5) was only achieved by 45% of employees. This results in 55% of the employees who have a questionable attitude. We have further established based on theories and discussed by Berry et al. (2007:277) that ‘there are situational correlates of integrity test scores, suggests that changing the situation an individual is in, may result in a change in integrity test scores.’

The highest number of cumulative employees to achieve this score was 24 for the category ‘Unethical behaviour and self-centredness’ (figure 1.10). The percentage of employees who achieved a score of 8 and above was a low of 4% meaning that the majority percentage of 96% of employees were open to unethical behaviour and were self-centred. These results indicate that although there are numerous Codes of Ethics prescribed to the industry in order for them to comply with there are still employees who are susceptible to unethical behaviour. This is supported by McDonald (2008:352) who stated that ‘ethical codes of conduct are superficial and distracting to the question of how to promote ethical behaviour in corporate life’

The integrity test scores above revealed valuable insight into the employees’ perceptions, beliefs and characteristics within the sector with a majority of 30% and 34% achieving overall integrity scores of 7 and 8 respectively. The integrity test results per category have highlighted areas that could be improved on by higher management and the organisations that could increase overall organisation and industry performance.

The low cumulative scores obtained for ‘Unethical behaviour and self-centredness and ‘Opportunistic Dishonesty’ implies that the employees place more value on self-interest actions than the organisations ethical compliance which is contrary to what McNutt and Batho (2005:657) deem ‘morally

right actions' as that 'whereby an employee's determination to act in accordance with duty overcomes their evident self-interest and obvious desire to do otherwise.'

Recommendations

In general, the financial services sector has a legal obligation to comply with a Code of Ethics. In order to ensure compliance with the principles of the code, regular and on-going integrity testing could be enforced to enhance the principles of the Code of Ethics and to assess whether the employees are of integral character.

Since it was established that human behaviour and conduct is based on situational circumstance, this further reiterates the need for continuous integrity testing to evaluate the development of unacceptable employee character traits and employee reactions that could counteract the key principles of the Code and the expectations of society about morality.

On an individual specific level, in order to enhance the organisational culture that influences the human psyche, individual sub-structure components where employees have not scored well in the integrity test, can be assessed and worked on collectively. The organisation can use these results as an aid to realign employees' focus and prevent deterioration of moral values and transgression of ethical principles.

The financial services sector could introduce, a mandatory regulatory provision for regular, on-going integrity testing of employees to aid in the prevention and detection of current and future morally unethical transgressors who could be susceptible to fraudulent activities. This could benefit the whole sector but consideration and feasibility for the smaller firms should be taken regarding time, resources and the capital outlay required.

Recommendations for Further Research

From this study the researcher identified a number of areas that further research could be conducted on. This study only focused on the financial sector within Gauteng as integrity testing is a contentious practice that individuals tend to resist. It would be interesting for future studies to identify the impact of integrity testing within other market sectors as well as in other provinces where cumulative findings on a national level could be used to identify the total impact of integrity testing. It is therefore recommended that future studies be conducted within other markets and sectors as well as other provinces, or individual organisations with more time and willing organisational participants.

Feasibility studies of integrity testing on different sized financial service organisations could be conducted for future studies to evaluate the impact of integrity testing on the organisations as a whole.

Conclusion

This study sought to establish the integrity test scores obtained by employees in the financial services sector and to assess the influence that integrity testing could have on compliance with the various Codes of Ethics prescribed to the Financial Services Sector. This study was successful in providing evidence of how relationships between different character traits can influence an individual's integrity that could affect their behaviour in complying with the principles prescribed in the Code of Ethics. From the results of the study, it concluded that integral behaviour occurs on a situation basis that the employee finds himself/herself in, and therefore through continuous integrity testing, not only will the results indicate potential transgressors, but could also prevent employees from conducting unethical behaviour knowing that they will be subjected to integrity tests.

The study also established strengths and weakness that could affect overall organisational and sector performance. When integrity tests are performed, management should evaluate the results of the individual sub-categories that highlight areas within the sector that need be improved to influence better culture and attitudes.

From this study the researcher established a number of areas that create scope for further research. This study was based on the use of secondary data for a number of organisations within a specific sector. It would be interesting for future studies to explore the results achieved based on primary data within a specific organisation in the financial sector and compare it to the results achieved in this study.

Future studies could also extend the theory of integrity testing whereby the results and impact of integrity testing from this sector with those of other sectors could be assessed in terms of sector employment, as individuals are deemed to be more likely to choose jobs where the value content in those jobs were similar to their own value orientation (Judge and Bretz, 1992:3).

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