

# The Relationship between Ethical Climates and Organizational Commitment in Manufacturing Companies

Hairunnisa Ma'amor<sup>1+</sup>, Ho Jo Ann<sup>2</sup> Ros Intan Safinas Munir<sup>1</sup> and Nurhazirah Hashim<sup>1</sup>

<sup>1</sup> University Technology MARA (UiTM)

<sup>2</sup> University Putra Malaysia

**Abstract.** The ethical climate of a business organization can make the difference between a successful venture and an unsuccessful one. Previous studies found that if people felt that their organizations' values were conflicting with their ethical values, they will become less committed to the organization. This study empirically investigates the relationship between organization's ethical climates and organization commitment. A total of 192 employees from manufacturing companies in Kluang, Johor were participated. The study found that they was a significant positive relationship between ethical climate and organizational commitment ( $p=0.00$ ,  $a= 0.05$ ). Thus, it is important to understand the influence of ethical climate towards organization commitment since it will affect an overall performance of an organization.

**Keywords:** Ethical Climates, Manufacturing, Organizational Commitment.

## 1. Introduction

Ethical issues in organization nowadays has become more complex which concern on aspects such as fair competition, societal expectation, social responsibilities and legal protection and right [1]. As the perception on ethical behaviour is different from one person or group to the other, [2] came out with a way to explain and predict organization's ethical conduct by introducing the concept of ethical climate [3]. According to [4], ethical climate depends on employees' perceptions on how their organization deals with ethical conduct through organization's practices and procedures.

A study done by [5], employees will have lower turnover intentions, greater commitment and greater satisfaction when they achieved a good "ethical match" with their organization. Thus, employees will look for and choose to work in the organization that matches with their ethical preferences [5]. Ethical climate was found as one of important variables that will affect job outcomes in which employees will become more committed as they perceived their organization's climate as ethical [6]. The perceptions on ethical and unethical behaviours may be different depending on individual values and the situations that they faced.

In Malaysia, the issues on ethical conduct these days have gained prominence due to the increasing trend of commercial crimes reported. Based on the Statistic of Commercial Crime from Royal Malaysian Police (2004), from the year 1977 to 1994, the number of commercial crimes reported in this country raised from 1,981 cases to 4,229 cases that showed an increase of 113%. In addition, it was reported that the number of commercial crimes cases have increased almost tripled between the year 1994 and 2003 which shows that the cases related to breach of trust and misappropriation of funds were the most reported cases. In the year 2006, commercial crime cases raised to 198,622 compared to 171,604 cases in 2005 [7]. According to [8] the increasing number of those involved in those commercial crimes is resulted from corporate leadership who fail to demonstrate ethical leadership which leads to the negative impact on their employees. Therefore, this study aimed to investigate the relationship between organization's ethical climate and organizational commitment.

## 2. Literature Review

### 2.1. Ethical Climate

---

<sup>+</sup> Corresponding author. Tel.: +603-3258 5125; fax: +603-3258 5000.  
*E-mail address:* hairun2952@puncakalam.uitm.edu.my.

Ethical climate defined by [2] as the prevailing perception of typical organizational practices and procedures that have ethical content. According to [9], organization’s ethical climate is one of the component in organizational culture. However, there are several differences between culture and climate as suggested by [10] who studied on the differences between organizational culture and climate. [10] concluded that culture refers to an evolved context (within which a situation may be embedded). It is a shared beliefs, values, customs, and traditions of an organization [11]. Climate on the other hand refers to a certain situation and it links to organization member’s thoughts, feelings and behavior. [2] ethical climate model has been widely used by most researchers on ethical climate studies especially by western researchers [12], [6], [13], [14]. This model, is known as the ‘Typology of ethical work climates’, which consists of three bases or criteria of moral judgment namely egoism, benevolence, and principled. The three bases are represented in Table 1.

Table 1: Bases of Ethical Climates

<b>Bases</b>	<b>Descriptions</b>
Egoism	Behavior that supports the satisfaction of self interest in which the individual’s best interest will dominate the ethical reasoning process [15],[14]
Benevolence	Behavior that concern of wellbeing of others which focus more on satisfying the interest of as many people as possible [16],[14]
Principled	the adherence to universal standards and beliefs which concern with the application of rules, regulation and law during the decision making process [17],[16].

## 2.2. Organizational Commitment

Organization commitment is commonly defined as employees’ interest and connection to an organization [18]. Organizational commitment can be characterized as: (1) a strong belief and acceptance of the organization’s goals and values, (2) willingness to put forth considerable effort for the sake of organization, and (3) a strong desire to remain as a member of the organization (Porter et al., 1974 as cited in [15]). Organizational commitment is related with an increased in performance, satisfaction, and organizational adaptability, and negatively affect absenteeism and employee turnover [19]. Employee’s commitment is important to organization because committed employees are likely to be more willing to make personal sacrifices for the sake of organization [20].

Organization’s ethical values may also increase employees’ commitment to the organization as employees might experience a stronger attachment to companies that adopt ethical values [21]. [19] found that marketing professionals’ commitment was positively related to corporate concern for ethics. Organizations could augment individual commitment through ethical compliance and rewards. Moreover,[22] found that employees will feel more committed as they perceive his or her peers engaged in ethical behaviors. In contrast, employee’s level of commitment will reduce if they belief that his or her peers engage in unethical behaviors.

In meeting these objectives, a theoretical framework which also serves as a research framework of these relationships has been developed as below:

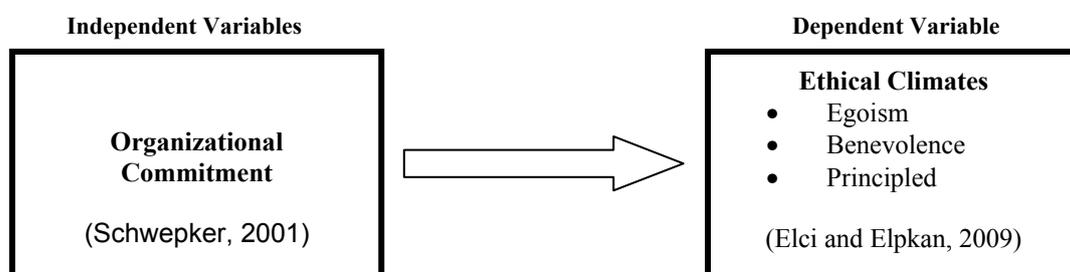


Fig. 1: Conceptual framework

## 3. Methodology

This study was conducted to investigate the influence of ethical climates on organizational commitment at manufacturing companies by using non-experimental correlational research design. The population of this study was the manufacturing employees at two different industrial areas at Kluang Johor namely Mengkibol

Industrial Area and Kluang II Industrial Area. The sampling technique used in selecting the respondents was non-probability sampling namely convenience sampling.

In essence, the Cronbach's alpha for overall ethical climates is 0.87, indicating that the items measuring ethical climates are highly reliable. The question for each dimensions of ethical climates namely egoism, benevolence, and principled are also reliable with the Cronbach's alphas of 0.64, 0.84, and 0.79 respectively. Meanwhile, the alpha value for organizational commitment is 0.82 which also indicates the consistency of the measures. The findings indicate that the measures have high internal consistency. This is supported by [23] who stated that the reliability coefficient closer to 1 indicates higher internal consistency. Table 2 shows the Cronbach's alpha scores for the bases of ethical climates and organizational commitment.

Table 2: The results of correlation and reliability analysis

No	Variables	Mean	SD	1	2	3	4	5
1	Egoism	3.65	.40	(.64)				
2	Benevolence	4.00	.46	.310**	(.84)			
3	Principled	3.80	.40	.379**	.611**	(.79)		
4	Ethical Climates	3.82	.34	.674**	.835**	.854**	(.87)	
5	Organizational Commitment	3.69	.51	.049	.366**	.165	.257**	(.82)

Notes: \*\* significant at 0.05 level; Cronbach's alpha values are shown in the parentheses.

## 4. Findings and Discussions

### 4.1. Response Rate

In this study, a total of 250 questionnaires were personally distributed to respondents. Only 192 questionnaires were returned which constituted a response rate of 76.8%.

### 4.2. Discussion

Hypotheses are tested by testing the relationship between independent variables (ethical climates namely; egoism, benevolence and principled) and dependent variable (organizational commitment). The multiple regression results indicate that a strong relationship existed as hypothesized. The results are shown in Table 3.

Table 3: The regression coefficients for egoism, benevolence and principled and organizational commitment

Variables	Standardized Beta
Ethical climates	<b>0.209**</b>
Egoism	-0.001
Benevolence	<b>0.248**</b>
Principled	0.007

As shown in Table 3, the findings found that there was a significant relationship between ethical climates and organizational commitment in manufacturing companies ( $\beta=0.209$ ,  $p<0.05$ ). It shows that the level of employee's commitment will increase if there are favourable ethical climates exist within the organization. Moreover, the regression analysis for each bases of ethical climates also conducted. Based on the coefficient result, only benevolence climate showed a significant relationship with organizational commitment ( $\beta=0.248$ ,  $p<0.05$ ). Both egoism and principled climates did not significantly influence organizational commitment among employees with the value of ( $\beta=-0.001$ ,  $p>0.05$ ) and ( $\beta=0.007$ ,  $p>0.05$ ) respectively. Hence, it showed that level of employee's commitment will increase if there is benevolence climate existed in the organization.

These results were found consistent with [24] which revealed that employee's commitment will be higher when the climate is perceived as benevolent based on the observation that the employees will feel more emotionally attached to an organization that supports values such as caring for employees and community. [25] In their research on 'Ethics programs, perceived corporate social responsibility and job satisfaction' found that corporate social responsibility will mediate the positive relations with job satisfaction thus increase employees' commitment.

## 5. Conclusion

The main objective of the study was to investigate the relationship between organization's ethical climates and organizational commitment in manufacturing companies. This study concluded that the ethical climates were positively related with organizational commitment. Among the bases of ethical climates only benevolence climate was significantly influence organizational commitment. Meanwhile, the other two bases of ethical climates which are egoism and principled were not significant.

Overall findings from this study suggested that organizational ethical climates do affect employees' commitment. Hence management should ensure that suitable ethical climates being applied in the organization through the encouragement of cooperation teamwork. Furthermore, for future research all the nine ethical climates criteria from Victor and Cullen's Model can be considered as variables to get more generalize outcome.

## 6. Acknowledgements

The authors gratefully acknowledge contribution by Dean of Faculty Business Management, Universiti Teknologi MARA, Malaysia for the ongoing support and insights, which contributed greatly to the quality of this study.

## 7. References

- [1] Koh, H. C. and El'fred H.Y. Boo (2001), 'The Link Between Organizational Ethics and Job Satisfaction: A Study if Managers in Singapore', *Journal of Business Ethics* **29**, 309-324.
- [2] Victor, B. and John B. Cullen (1988), 'The Organizational Bases of Ethical Work Climates', *Administrative Science Quarterly* **33**, 101-125.
- [3] Wimbush, J.C. and J.M. Shepard (1994), 'Toward an Understanding of Ethical Climate: Its Relationship to Ethical Behavior and Supervisory Influence', *Journal of Business Ethics* **13**, 637-647.
- [4] Bartels, L.K, E. Harrick, K. Martell, and D. Strickland, (1998), 'The Relationship between Ethical Climate and Ethical Problems within Human Resource Management', *Journal of Business Ethics* **17**, 799-804.
- [5] Sims, R.L and K.G. Kroeck (1994), 'The Influence of Ethical Fit on Employee Satisfaction, Commitment and Turnover', *Journal of Business Ethics* **13**, 939-947.
- [6] Schwepker, C.H. Jr. (2001), 'Ethical Climate's Relationship to Job Satisfaction, Organizational Commitment, and Turnover intention in the Salesforce', *Journal of Business Research* **54**, 39-52.
- [7] Malaysia Crime Watch (2007), 'Malaysia Crime Rate Up 15 Percent in 2006, Friday February 2, 2007', Retrieved January 9, 2011 from Malaysia Crime Watch Website: <http://malaysiacrimewatch.lokety.com/malaysia-crime-rate-up-15-per-cent-in-2006/>.
- [8] Ponnu, C.H and G. Tennakoon, (2009), 'The association Between Ethical Leadership and Employees Outcomes – The Malaysian Case', *EJBO Electronic Journal of Business Ethics and Organization Studies*, Vol. **14**, No. 1.
- [9] Appelbaum, S. H., K. J. Deguire, and M. Lay (2005), 'The Relationship of Ethical Climate to Deviant Workplace Behavior', *Emerald Group Publishing Limited*, Vol 5, No.4, 43-55.
- [10] Denison, D.R. (1996), 'What is the Difference Between Organizational Culture and Organizational Climate? A Native's Point of View on A Decade of Paradigm Wars', *Academy of Management Review* **21**, 619-654.
- [11] Wittmer, D., and D. Coursey (1996), 'Ethical Work Climates: Comparing Top Managers in Public and Private Organizations', *Journal of Public Administration Research and Theory* **6**, 559-572.
- [12] Fritzsche, D. J. (2000), 'Ethical Climate and the Ethical Dimension of Decision Making', *Journal of Business Ethics* **24**, No.2 (125-140).
- [13] Shafer, W. E. (2009), Ethical Climate, Organizational-Professional Conflict and Organizational Commitment, A Study of Chinese Auditors, *Accounting, Auditing & Accountability Journal* **22**, No.7 (1087-1110).
- [14] Elci, M. and L. Alpkan (2009), 'The Impact of Perceived Organizational Ethical Climate on Work Satisfaction'. *Journal of Business Ethics* **84**, 297-311.
- [15] Cullen, J. B., K. P. Parboteeah and B.Victor (2003), 'The Effect of Ethical Climates on Organizational

Commitment: A Two-Study Analysis', *Journal of Business Ethics* **46**, 127-141.

- [16] Lemmergaard, J. and J. Lauridsen (2008), 'The Ethical Climate of Danish Firms: A Discussion and Enhancement of the Ethical-Climate Model', *Journal of Business Ethics* **80**, 653-675.
- [17] Peterson, D. K. (2002), 'The Relationship between Unethical Behavior and the Dimension of the Ethical Climate Questionnaire', *Journal of Business Ethics* **41**, 313-326.
- [18] Tsai, Ming Tien and Chun Chen Huang (2007), 'The Relationship among Ethical Climate Types, Facet of Job Satisfaction, and the Three Components of Organizational Commitment: A Study of Nurses in Taiwan', *Journal of Business Ethics* **80**, 565-581.
- [19] Valentine, S., L. Godkin and M. Lucero (2002), 'Ethical Context, Organizational Commitment, and Person-Organization Fit', *Journal of Business Ethics* **41**, 349-360.
- [20] Vitell, S.J. and A. Singhapakdi (2007), 'The Role of Ethics Institutionalization in Influencing Organizational Commitment, Job Satisfaction, and Esprit de Corps', *Journal of Business Ethics* **81**, 343-353.
- [21] Singhapakdi, A., S. J. Vitell and G. R. Franke (1999), 'Antecedents, Consequences, and Mediating Effects of Perceived Moral Intensity and Personal Moral Philosophies', *Academy of Marketing Science* **27**, 19-36.
- [22] Babin, B.J., J.S. Boles and D.P. Robin (2000), 'Representing the Perceived Ethical Work Climate among Marketing Employees', *Journal of the Academy of Marketing Science* **28**, 345-358.
- [23] Sekaran, U. and R. Bougie (2009), 'Research Method for Business: A skill-Building Approach', New York: John Wiley & Sons, Inc.
- [24] Shafer, W. E. (2009), Ethical Climate, Organizational-Professional Conflict and Organizational Commitment, A Study of Chinese Auditors, *Accounting, Auditing & Accountability Journal* **22**, No.7 (1087-1110).
- [25] Valentine, S. and G. Fleischman (2008), 'Ethics Programs, Perceived Corporate social Responsibility and Job Satisfaction', *Journal of Business Ethics* **77**, 159-172.