THE RELATIONSHIP BETWEEN ORGANIZATIONAL ETHICAL CLIMATE FACTORS AND JOB SATISFACTION

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ABSTRACT

THE RELATIONSHIP BETWEEN ORGANIZATIONAL ETHICAL CLIMATE FACTORS AND JOB SATISFACTION

TING IK LEONG

Nowadays, organizations had found out that organizational ethical climate factors are one of the important issues that can lead to increase the employees' job satisfaction. However, organizations have to be concerned about how to ensure the employees' job satisfaction at the workplace. This study aimed at exploring the relationship between organizational ethical climate factors (self interest, team interest and laws and professional codes) and job satisfaction. The methodology used in this research was the survey method by using survey research questionnaires as the instrument. Primarily, pilot test was done by distributing 30 questionnaires randomly to the employees of Hua Seng Sawmill Company Berhad to determine on the validity and reliability of the questionnaires. A total of 103 respondents from the Sibu Municipal Council (SMC) were used as the samples for the actual study in this research. The data from the actual study was also used to undergo pilot test again in order to ensure the validity and reliability of the questionnaires. Besides that, data were analyzed descriptively using frequencies and percentages. Furthermore, data were also analyzed inferentially by using the Pearson Correlation and Multiple Regression. Pearson Correlation Analysis was used to measure the relationship between the organizational ethical climate factors and job satisfaction. All the alternative hypotheses were accepted. The findings and results from the analysis had shown that there was significant relationship between organizational ethical climate factors and job satisfaction. Multiple Regressions was used to find the dominant factor of organizational ethical climate that affect on job satisfaction. It showed that laws and professional codes was the dominant factor that affect on job satisfaction. In addition, the findings of this research was beneficial for the organizations and future researchers to determine the organizational ethical climate factors that affect on job satisfaction and to identify appropriate method of improving and enhancing job satisfaction at the workplace.

ABSTRAK

**HUBUNGKAIT DI ANTARA FAKTOR-FAKTOR ETIKA KLIMAK
ORGANISASI DENGAN KEPUASAN KERJA**

TING IK LEONG

Sejak kebelakangan ini, organisasi-organisasi telah menyedari bahawa faktor-faktor etika klimak organisasi merupakan salah satu isu yang boleh membawa kepada penigkatan kepuasan kerja oleh pekerja. Namun begitu, organisasi-organisasi perlu mengambil tahu tentang cara-cara untuk memastikan pekerja mempunyai kepuasan kerja di tempat kerja. Kajian ini bertujuan untuk mengkaji hubungkait di antara faktor-faktor etika klimak organisasi (kepentingan sendiri, kepentingan kumpulan serta undang-undang dan kod profesional) dengan kepuasan kerja. Metodologi yang digunakan dalam kajian ini adalah dengan cara pemerhatian dalam bentuk pemerhatian soalan kajian sebagai instrumentasi. Mula-mula, ujian rintis telah digunakan dengan mengedarkan 30 soal selidik kepada pekerja di Hua Seng Sawmill Company Berhad secara rawak untuk menentukan kesahan dan kebolehpercayaan soal selidik. Sejumlah 103 orang responden dari Majlis Perbandaran Sibu (SMC) telah digunakan sebagai sampel bagi kajian sebenar dalam kajian ini. Data dari kajian sebenar juga telah digunakan untuk menjalankan ujian rintis sekali lagi bagi memastikan kesahan dan kebolehpercayaan soal selidik. Selain itu, data akan dianalisa secara statistik deskritif dengan menggunakan frekuensi dan peratus. Di samping itu, data juga akan dianalisa secara statistik inferensi dengan menggunakan kolerasi Pearson dan Regrasi Berganda. Kolerasi Pearson digunakan untuk mengkaji hubungkait di antara faktor-faktor etika klimak organisasi dengan kepuasan kerja. Didapati semua hipotesis adalah diterima. Dapatan dan keputusan kajian dari data analisa menunjukkan bahawa terdapat hubungkait yang ketara di antara faktor-faktor etika klimak organisasi dengan kepuasan kerja. Regrasi Berganda adalah digunakan untuk mencari kesan faktor-faktor etika klimak organisasi yang paling ketara mempengaruhi ke atas kepuasan kerja. Keputusan ini telah menunjukkan bahawa undang-undang dan kod profesional adalah faktor yang paling ketara mempengaruhi ke atas kepuasan kerja. Tambahan pula, dapatan kajian ini sedikit sebanyak telah menyumbang kepada perkembangan positif kepada organisasi-organisasi serta pengkaji masa depan dalam mengenalpasi faktor-faktor etika klimak organisasi yang mempengaruhi ke atas kepuasan kerja dan seterusnya mendapatkan cara yang sesuai dalam memperbaiki serta memastikan kepuasan kerja di tempat kerja.

CHAPTER ONE
INTRODUCTION

1.0   Introduction

This chapter gives us a better understanding of the research which consists of nine sections. The first section will discuss on the background of the study. The second section will identify the problem statement. The third section discusses on the research objectives which are the main objective and the specific objectives. The fourth section explains the research questions based on the research objectives. The fifth section involves the developing of the research conceptual framework and the sixth section determines on the research hypotheses. The seventh section explains on the definitions of terms used in this research that consists of conceptual definitions and operational definitions of term. The significances of the study and the chapter conclusion will be revealed in the latter part of this chapter.

1.1 Background of Study

In this 21st century, it is very hard to recruit a potential, responsible, and the right person for a suitable job. Many of the employees will change or quit from the job when they feel unsatisfied with their current job. Furthermore, managers or top management have little understanding on how to fulfill their employees' satisfaction and what is the level of satisfaction among employees in order to reduce turnover intention. The limited understanding on the employees' satisfaction will create conflict between employees and top management that causes the employees turnover or quitting from the job. Thus, organization has to solve this problem in order to ensure the organization is able to operate smoothly and increase its productivity. Besides, the high wages, salary, attractive compensation packages and benefits that will be provided by the organization can ensure the employees' job satisfaction. There are also other important factors that affect the job satisfaction such as organizational ethical climates, leadership styles and organizational commitment. Therefore, this research will be conducted to understand the relationships among the organizational ethical climates as important factors that affect job satisfaction.

Generally, ethical climate in this research refer to the organizational climate that affect on job satisfaction. According to Elci and Alpkan (2009), factor that influences on employees attitudes and shapes intra-organizational relationships as well as the organizational outcomes is ethical climate. Therefore, it is very important for organization to be ethical in order to enhance employees' job satisfaction. Employees will think that their organization will be fair to them as organization is ethically in order to increase employees' satisfaction (Koh & Boo, 2001). Besides that, according to Victor and Cullen (1987, pp. 51-52), organizational ethical climate is defined as *"shared perceptions of what ethically correct behavior is and how ethical issues should be handled"*. Hence, how well the ethical climate improves the employee satisfaction will be depending on how well the organization solves the unethical climate and the corrupted behaviors.

Job satisfaction is an important outcome for the entire employees in organization which reflect a situation of employees happily to perform the job and feel satisfy on the job. According to Shaffer and Harrison (1998), job satisfaction can be defined as the feeling of the person toward the job or job experiences. Besides that, Spector (1997) stated that all of the emotional feelings of person and how people feel about their jobs can be reflected through job satisfaction. Thus, organizations have to ensure all employees are satisfied with their job to achieve each organization's goals and reduce the turnover intention. This is because job satisfaction is related to organizational behavioral factors like tendency to leave from organization (Sager & Johnston, 1989). Employees will feel satisfied when their need is achieved whereas the appropriate working environment can ensure in increasing the employee effort due to rising in productivity of the organization.

Nowadays, ethics has become a "hot topic" because it helps to increase awareness that prevent corrupted emotion and eventually compromise the viability of the organization (Mulki, Jaramillo & Locander, 2008). Organizational ethical climates factors include self interest, company profit, efficiency, friendship, team interest, social responsibility, personal morality, company rules and procedures as well as laws and professional codes will influence ones job satisfaction, organization commitment and turnover intention. Besides that, Deshpande (1996) found that organization develop the ethical climate could influence employees' job satisfaction. Thus, this research is important to have a better understanding on how employees' job satisfaction can be achieved to reduce turnover. Therefore, this research will examine the relationship between organizational ethical climates and job satisfaction.

1.2 Problem Statement

Employees are the most important people who involve in the management of the work of an organization to meet the organization's goals and to ensure the organization works smoothly. There is a relationship between organization and employees to make both parties gain benefits by working together. Organization has to depend on the employees to achieve the organization's goals while the employees also have to depend on the organization to obtain their need. Thus, organizations have the responsibilities to know the factors that affect the employees' job satisfaction in order to reduce turnover intention and increase the organization's productivity. This study will discuss on the issues related to organizational ethical climates that influence the employees' job satisfaction.

There is a need to understand and put attention on the organizational ethical climates in order to satisfy employees. Nowadays, ethical climate has become a very important issue in business and management fields. *"Ethical situations in business are becoming increasingly more complex, involving in issues such as societal expectations, fair competition, legal protection and right, and social responsibilities"* (Koh & Boo, 2001). Besides that, according to Vitell and Davis (1990) cited in Koh and Boo (2001), this issue involved many parties including customers, employees, competitors and general public. Therefore, organizations have to cooperate with the community to ensure the ethical problem can be solved effectively and efficiently.

Furthermore, this ethics issues are becoming major problem in this high competitive market and high technology situations that give impact on the international business and management arena. According to Viswesvaran *et al.* (1998), the ethical problem needs to deal immediately in new and different settings due to the increasing globalization of business in the international arena. In addition, there is a possibility to conduct this research because there is space for improvement in ethical problem related to job satisfaction in Malaysia. Due to most of the ethics research has been conducted in developed countries, so there is

possibility conducting research significance in organizational ethical climate in Asian countries after their increasing for foreign trade (Honeycutt *et al.*, 1995; Visweswaran & Deshpande, 1998). Thus, this study gives an important contribution in better understanding of the types of organizational ethical climates and job satisfaction in developing country such as Malaysia.

In additional, there are a lot of problems that may occur when the ethical problem are not solved. According to Wole (1998) cited from Erondu, Sharland and Okpara (2004), many unexpected problem such as poor reputation, lost of customers, and reduced profits may occur when failure to solve the ethical issues. Moreover, according to Chan (2002), some unethical practices are prohibited as a result in growing the organization's liability, financial risk and costs. Besides, organizations face the problem caused by unethical climates. It also gives impact to employees that may cause pressure, stress, low motivation and less effort to the employees. Schwepker (2001) stated that employees will have high workplace stress, low performance and dissatisfaction result from the unethical climate.

The unethical problem may caused by the effect of the environment depending on how organizations or top management set the authoritarian and strict rules or procedures in the organizations. This may results in employees to feel unsatisfied with the job and the organization. According to Lindsay, Lindsay and Irvine (1996) cited from Deshpande, George & Joseph (2000), corporate environment may influences on managers to actions unethically. Apart from that, previous research had suggested that more research need to be conduct to understand the major reason on why employees willing to stay or leave the organization (Steers & Mowday, 1981; Hom & Griffeth, 1995). Thus, this research encourages the investigation of the organizational ethical climate factors that perceived on job satisfaction.

1.3   Research Objectives

1.3.1   Main Objective

(i)   To examine the relationship between organizational ethical climate factors and job satisfaction.

1.3.2   Specific Objectives

(i)   To examine the relationship between self interest climate and job satisfaction.

(ii)   To examine the relationship between team interest climate and job satisfaction.

(iii)   To examine the relationship between laws and professional codes climate and job satisfaction.

(iv)   To examine the dominant factor (s) among three organizational ethical climates that affect (s) job satisfaction.

1.4   Research Questions

The research questions are developed based on the research objectives to examine the relationship between organizational ethical climate factors and job satisfaction. This research questions can act as the guideline to achieve the research objectives in this study. The research questions in this study are:

(i)   Is there any relationship between organizational ethical climate factors and job satisfaction?

(ii)   Is there any relationship between self interest climate, team interest climate and laws and professional codes and job satisfaction?

(iii)   Is there any dominant factor (s) among three organizational ethical climates that affects (s) job satisfaction?
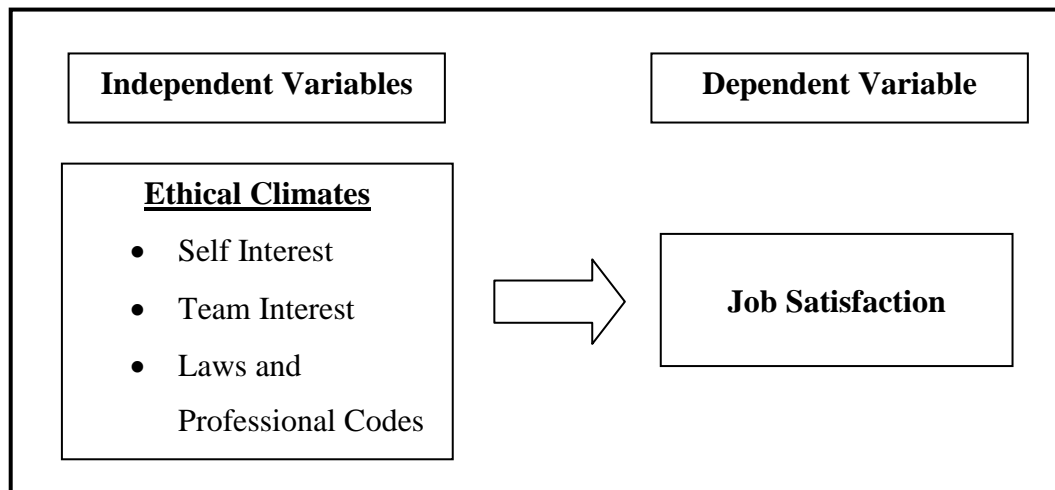
1.5   Research Conceptual Framework

The research framework for this research was developed based on the previous study by Victor and Cullen (1988) on the nine characteristic of theoretical ethical climate types.

Previous studies had stated that there are positive relationship between ethic climates and satisfaction (Deshpande, 1996; Koh & Boo, 2001; Schwepker, 2001; Victor & Cullen, 1987, 1988; Viswesvaran & Deshpande, 1996, 1998 cited from Elci & Alpkan, 2009). A proposed research framework for the present research that shows the relationship between organizational ethical climate factors and job satisfaction was developed based on the models and data from previous studies. In this research, the independent variables represent the ethical climates factors (self interest, team interest, laws and professional codes) whereas the dependent variable represents the job satisfaction. This framework will be used in this research to prepare the objectives and hypotheses. The relationship between the ethical climates factors and job satisfaction is shown in Figure 1.1.

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┌──────────────────────────────────────────────────────────────┐
│  ┌─────────────────────────┐      ┌─────────────────────────┐ │
│  │ Independent Variables   │      │  Dependent Variable     │ │
│  └─────────────────────────┘      └─────────────────────────┘ │
│  ┌─────────────────────────┐                                  │
│  │   Ethical Climates      │      ┌─────────────────────────┐ │
│  │   • Self Interest       │  ⇨   │   Job Satisfaction      │ │
│  │   • Team Interest       │      │                         │ │
│  │   • Laws and            │      └─────────────────────────┘ │
│  │     Professional Codes  │                                  │
│  └─────────────────────────┘                                  │
└──────────────────────────────────────────────────────────────┘
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Figure 1.1: The Conceptual Framework of the Relationship between Independent Variables (Organizational Ethical Climate Factors) and Dependent Variable (Job Satisfaction).

1.6   Research Hypotheses

1.6.1   Main Hypothesis

The main hypothesis of this research is:

Ha: There is a significant relationship between organizational ethical
        climates factors and job satisfaction.

Elci & Alpkan (2009) have indicated that organizational ethical climates
and work satisfaction are positively and negatively related. Besides that, many
previous studies also point out that ethical climates and satisfaction of employees
at the workplace are positively related and committed to the organization
(Deshpande, 1996; Koh & Boo, 2001; Schwepker, 2001; Victor & Cullen, 1987,
1988; Viswesvaran & Deshpande, 1998 cited from Elci & Alpkan, 2009).
Moreover, according to Martin and Cullen (2006) also proved that organizational
ethical climates are related to employees' satisfaction with their jobs, promotion,
co-workers and supervisors.

1.6.2   Specific Hypotheses

The alternative hypotheses for this research to be tested are as shown
below:

Ha1:   There is a significant relationship between self interest climate and
        job satisfaction.

In 2006, Woodbine stated that instrumentalism (self interest) at the
workplace influence on job satisfaction. Furthermore, Deshpande (1996) also
reported that instrumental climate (self interest) give a negative impact on job
satisfaction. Moreover, Tsai and Huang (2008) had indicated that an instrumental
climate (self interest) significantly and negatively influenced overall job

satisfaction in the study of nurses in Taiwan. In addition, according to Okpara and Wynn (2008), they had indicated that ethical climate types (self interest) have a significant positive impact on various facets of job satisfaction (pay, promotion, co-workers, supervision and work itself).

Ha2:   There is a significant relationship between team interest climate and job satisfaction.

According to Joseph and Deshpande (1997) stated that caring climate (team interest) significantly influences employees' overall job satisfaction in an American large non-profit hospital. Besides that, Tsai and Huang (2008) indicated that caring climate (team interest) significantly and positively influences nurses' satisfaction with pay and overall job satisfaction. Moreover, ethical climate types (team interest) have a significant positive impact on various facets of job satisfaction (Okpara & Wynn, 2008).

Ha3:   There is a significant relationship between laws and professional codes climate and job satisfaction.

According to principled ethical climate type (laws and professional codes) has a significant effect on job satisfaction in study of managers enrolling in a Master of Business Administration (MBA) program in Singapore (Koh & Boo, 2001). Besides that, Deshpande (1996) also indicated that laws and professional codes climate facilitates overall satisfaction. In addition, Okpara and Wynn (2008) stated that ethical climate types (laws and professional codes) have a significant positive impact on various facets of job satisfaction (pay, promotions, co-workers, supervision and work itself) through a study in Nigeria.

Ha4:   There is/are dominant factor(s) that affect(s) job satisfaction.

According to Elci and Alpkan (2009) proved that the dominant factor that most affect on job satisfaction is the team interest climate.

1.7   Definition of Term

1.7.1 Job Satisfaction

Conceptual

Job satisfaction is defined as how people feel and different aspects of their jobs (Spector, 1997). It refers to the cognitive attitudes of an employee perceived of their work (Wright & Cropanzano, 1998). According to Oshagbemi (1999, p. 388) cited in Kim and Miller (2008) defined job satisfaction as *"an individual's positive emotional reaction which results from the person's comparison of actual outcomes with those that are desired, anticipated or deserved in a particular job"*.

Operational

In this study, job satisfaction refers to an employee's attitude toward the job he or she performs that increasing the productivity, commitment and performance to the organization. Besides that, job satisfaction can be achieved if the organization put their attention on the ethical climates by implement on the encouraging ethical climate in order to increase employees' job satisfaction.

1.7.2 Ethical Climates

Conceptual

Ethical climate is defined as *"shared perceptions of what ethically correct behavior is and how ethical issues should be handled"* (Victor & Cullen, 1987). Based on Victor and Cullen (1987, 1988), ethical criterion are egoism, benevolence and principled while locus of analysis consists of individual, local and cosmopolitan. Cullen, Parboteeah and Victor (2003) stated that ethical climate can reflect on organization ethical character and monitor on employee's behavior.

Operational

Ethical climates in this study referred to the emotional of person in performing job. It focuses on the self interest, team interest, laws and professional

codes that influence on the job satisfaction. This study also helps in determine which ethical climates are more familiar for employees in order to satisfy.

1.7.3 Organizational Ethical Climate

<u>Conceptual</u>

An organizational ethical climate was defined as *"the stable psychologically meaningful perceptions members of organizations hold concerning ethical procedures and policies existing in their organizations"* by Schneider (1975) cited from Erondu, Sharland and Okpara (2004). Based on the Barnett and Vaicys (2000), organizational ethical climate are influenced on the organization's policies, procedures and reward systems. Furthermore, Trevino (1986) stated that ethical climate in an organization can provides the collective norms that help in guide and monitor behavior.

<u>Operational</u>

In this study, organizational ethical climate is referred to the ethical climate in the organization resulting in assessing the productivity, performance and satisfaction of the employees to achieve the organization goals. It is very important for the organization to set a guideline and monitor the employees' behavior. The organizational ethical climate can be the rules, laws, procedures and policies of the organization in order to monitor and guide the employee.

1.7.4 Self Interest

<u>Conceptual</u>

Self interest refers as the interests and benefits of individual resulted from the physical well being, power, happiness or others (Victor & Cullen, 1988). Self interest is in the egoism level that can be defined as *"a consideration of what is in the individual's best interest will dominate the ethical reasoning process"* (Farrell & Fraedrich, 1997 cited in Okpara & Wynn, 2008).