Organizational ethics and job satisfaction: Evidence from Pakistan

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The main purpose of this study is to investigate the relationship between organizational ethics and job satisfaction. Data was collected from a convenience sample of 230 bank employees working in both public and private sector. Based on organizational justice and organizational cognitive dissonance theory, the results indicate that egoistic climate for ethics and job satisfaction are negatively related, and that both benevolent climate and top management support for ethical behavior are found to be positively related with job satisfaction. Contrary to this, principled ethical climate does not have relationship with job satisfaction. The findings suggest that an organization having strong ethical climate and supportive top management for ethical behaviors is likely to yield more favorable work related as well as organizational outcomes.

Key words: Organizational ethics, job satisfaction, justice theory, cognitive dissonance theory, bank employees.

INTRODUCTION

Over the past few decades, organizational researchers have been paying growing attention to organizational behaviors which an organization is expected to adhere to, in its interaction with customers and in its dealings with internal affairs or with the society (Asad, 2011). The criterion used to determine wrong and right, good or bad in business is called business ethics, or sometimes corporate and professional ethics. Organizational ethics is old as business itself. At present, ethical issues across globe are compelling organizations and business leaders to do things beyond their personal interests so that ethical issues can be addressed in an effective way (Pondar and Golob, 2007; Vuontisjarvi, 2006).

Generally, every culture and region has been developing its own norms and values for doing business. Due to mounting effects of globalization, the different sets of corporate ethics have been incessantly taken place as common values and norms are aimed at avoiding employee involvement in unethical practices (Asad, 2011). Business ethics issues are being addressed both in the Eastern and Western cultures, and research scholars as well as business practitioners have found that Western business ethical values uniformly may apply in Asian countries (Tsaliikis and Lassar, 2009). To be a successful entrepreneur, understanding of cultural values and norms is critical because culture plays an important role in deciding what is right or what is wrong in a particular place (Ford and Richardson, 1994; Jamali and Sidani, 2008). Considering the study of Tsaliikis and Lassar (2009), Western cultures' dimensions have uniform application in Asian countries as well, providing a direction for managers and entrepreneurs to assess their organizational ethical climate on the basis of dimension already developed in West. Several unethical practices like bribe, theft etc. in any form are common practices which are damaging organizational reputation and performance (Ferrell et al., 2005; Deshpand et al. 2010; Vitell and Davis, 1990a).

Culture can be defined as a collaborating cognitive process which differentiates the members of society into
groups (Hofstede et al., 2010). Culture is predicted as a critical variable which influences employee ethical behavior and decision-making (Singhapakdi et al., 1994). Culture affects the human resources management policies in any organization, thus it directly influences employee’s satisfaction level. According to Hofstede (1980), culture can be distinguished into four facets: (a) individualism/collectivism, (b) masculinity/femininity, (c) power distance, and (d) uncertainty avoidance. Pakistani culture is a male dominated culture, and huge power distance prevails. This type of culture leads to injustice. Organizational ethics has been extensively studied, and it addresses ethical issues in developed countries like Europe and USA. In Asian countries this phenomena is least investigated (Viswesvaran et al., 1998; Koh and Boo, 2001). However, in Pakistan, the association between organizational ethics and job satisfaction is seldom studied. Additionally, this concept is discussed in non-Muslim cultures. We can find several similarities between Islamic business ethics and Western business ethics. For example, sexual harassment, job discrimination, employment benefits, conflict at work, quality management, and exploitation of business assets are issues on which Islamic and Western ideologies are more or less the same. In fact, Islam supports the theory of benevolence, and also emphasize on benevolence. For instance, Islam clearly explains the relationship between employee and employer, stating that both should enjoy equally the benefits from business but in legal way (Asad, 2011).

The objective of this study was to identify whether various type of climate for ethics coexists in banks and then assess the relationship between organizational ethics and job satisfaction. Such inquiry is important as research into the nature of the relationship between business ethics and job satisfaction has been limited; so it is a ripe area for research. Organizational ethics may provide banks to trigger for enhancing job satisfaction which affects business success. Indeed, both climate for ethics and top management support for ethics are often considered useful for producing positive work outcome such as job satisfaction. Relating the variables conceptually and operationally may allow organizations to manage employees’ behavior and attitudes more effectively. Findings of this study have numerous practical implications in Pakistani banking sector particularly human resources generally. Business leaders from banks can control unethical behavior at workplace by rewarding ethical behaviors and by creating a strong corporate ethical environment.

THEORETICAL BACKGROUND AND HYPOTHESIS DEVELOPMENT

Cognitive dissonance theory

According to Festinger (1942), cognitive dissonance theory posits that individuals who experience any psychological conflict or dissonance in working environment tend to reduce this gap by showing some specific behaviors and attitudes like leaving the organization or presenting low satisfaction. Morieux and Sutherland (1988) reported that cultural values and ways of functioning of new bosses, which sometime generate conflict with organizational culture, may also be a source of disagreement between employees and management which can lead to cognitive discomfort as well. As a result, employees experience greater stress and lower satisfaction (Koh and Boo, 2001; Viswesvaran et al., 1998).

Organizational justice theory

From the perspective of organizational justice theory, perception of fairness in one area makes employees feel fairness in other areas also. As a result employees feel more satisfaction with management and organization (Hartman et al., 1999). Till (2011) found that individual equity was the main factor which influenced employees’ job satisfaction. In general, organizational justice is of two types: distributive justice and procedural justice. The former is related with fairness of management decisions relative to disbursement of rewards such as pay, promotion, and focus on how the managerial decisions are made (Koh and Boo, 2001; Hertman et al., 1999). Procedural justice is perceived to be more effective and thus creates positive behaviors when individuals perceive that outcomes are fair. Company’s fair policies, procedure and decisions tend to make employees show ethical behavior (Baker et al., 2006).

Organizational ethical climate

Climate for ethics can be defined as the shared perceptions of how to deal with ethical issues, they should be addressed, and which behavior is ethically positive (Victor and Cullen, 1990). Schneider and Rentisch (1988) defines organizational moral climate as “a mechanism which helps the individuals to understand organizational policies, procedures, and reward systems”. Ethical climate refers to individual beliefs about organizational practices, procedures, standards and ethical values (Schwepker, 2001). Various studies have been conducted which argued that climate for ethics significantly influence the way employees should evaluate and behave (Valentine, 2010). Being compatible with organizational needs, organizations must establish ethical environment which may increase employees’ job satisfaction (Valentine, 2010).

According to Kohlberg’s (1981) theory, individuals’ behavior may be influenced by three basic type of ethical climate which are egoistic, benevolent and principled climate. Egoistic climate refers to giving prominence to
organizational interest, benevolent concern for individual's own interest, while principled climate stress to comply with rules and regulation (Coldwell et al., 2008). Trevino (1986) and Koh and Boo (2001) reported that ethical climate in organizational setting provides shared norms which leads employee's behavior. Various empirical studies have identified that organizational ethical climate could potentially affect the job satisfaction of workers. Most importantly, it has proven that two or more climate types may coexist in an organization (Deshpande, 1996; Joseph and Deshpande, 1997; Koh and Boo, 2001). Other researchers could not find such a relationship by testing the hypothesis on organizational climate for ethics and job satisfaction (Sims and Kroeck, 1994). After revising the existing literature, mixed results were found, so the following hypothesis is proposed to evaluate the relationship between climate for ethics and job satisfaction.

**H1:** Egoistic climate for ethics has no relationship with job satisfaction of employees.

**H2:** Benevolent climate for ethics has no relationship with job satisfaction of employees.

**H3:** Principled climate for ethics has no relationship with job satisfaction of employees.

**Top management support for ethical behavior**

According to Valentine et al. (2010), top management in organizations show increasing interest to develop a positive working environment which is beneficial for employees’ and organization as whole. In most of the organizations top management is considered as legitimate and sole authority for decision making, while individuals are expected to fulfill each order according to their boss instruction even those contradicting with their basic work values of what is right or wrong (Koh and Boo, 2001; Trevino, 1986). Organizations which prevailed authoritative culture are the source of some unethical behavior by using authority in unfair means. Mayer et al. (2009) reported that there are two schools of thought. One school of thought on this issue has the opinion that top management significantly influences organizational ethics as well as the behavior of individuals. The reason is they have more authority to practice any rule. On the other hand, a subsequent school of thought argues that lower management has greater influence because of their closeness and regular interaction with employees.

Traditionally, Koh and Boo (2001) found a relationship between top management commitment for ethical behavior and job satisfaction, while another study by Viswesvaran et al. (1998) however found no such relationship. The former study was conducted in Singapore while latter was conducted on Indian managers. So, culture is a considerable source which may influence the perception about ethical decision making and their acceptance. Pakistan is a country where mixed type of management styles like Islamic management and Western management prevail. So, it is ambiguous whether findings from Western culture would be observed here. Therefore, a null hypothesis is developed.

**H4:** There is no relationship between top management support for ethical behavior and job satisfaction.

**RESEARCH METHODOLOGY**

In this study, data was collected using survey method. Employees working in banking sector of Pakistan were selected as target population. Research questionnaire was developed after reviewing the literature extensively, and then distributed among employees by personally visiting all the banks. This effort revealed 257 questionnaires with approximate response rate of 86%, 27 was uncompleted and not considered for further analysis. Finally, 230 useable questionnaires with 77% response rate were selected for further data analysis using SPSS (statistical package for social sciences).

Analysis of demographic information explains that approximately 76% of the sample comprised of men; nearly 70.4% of individuals were in age group of less than 30, and between 31 and 40. As for educational qualification, majority of respondents were having university degrees, 25.7% were graduates and 70% postgraduates. Additionally, 11.7% of the respondents were branch managers, 1.7% marketing managers, and 12.2% operations managers. Most of them were management trainee and cashiers comprising a valid percentage of 51.7 and 20.5%, respectively, while finance managers were only 2.2%. More than 57% of the respondents were working in private sector banks and the remaining were from public sector banks from Pakistan.

**Measurement of constructs**

A 20-item “job satisfaction” scale developed by Cellucci and DeVries (1978) was adopted to assess the job satisfaction level of banks employees. Previously, various researchers also adopted this scale in business ethics field (Koh and Boo, 2001; Viswesvaran et al., 1998). In the questionnaire, overall job satisfaction comprised of various facets like job satisfaction pay, supervision, work, promotion and co-worker. To measure top management support for ethical behavior, a five item scale, originally developed by Hunt et al. (1989) was adopted. To measure organizational ethical climate, the ethical climate scale originated by Cullen et al. (1993) was utilized. The three types of climate for ethics (egoistic, benevolent, and principled) were assessed subsequently. All items were measured on a 4-point Likert scale ranging from “strongly disagree” (1) to “strongly agree” (4).

**RESULTS AND FINDINGS**

**Descriptive statistics and reliability analysis**

Reliability analysis indicates that reliability of each construct is in acceptable range because Cronbach’s alpha values of each variable is greater than 0.6. In this study, Cronbach’s alpha range from 0.714 to 0.846. The mean value and standard deviation of job satisfaction are 2.9176 and 0.46538, respectively. Benevolent climate for ethics was strongly present than other types as the mean
values is 2.9028 and standard deviation is 0.68833. The mean value of top management support for ethical behavior is 2.9079 which show that employees were more satisfied when they found management ethical. This is shown in Table 1.

Model fitness

Fit statistics reported that the model presented a good fit to the data. Chi-square is a widely used measure for assessing the model fitness to the data. If chi-square has an insignificant value, it means that model is good fit to the data. However, chi-square is very sensitive to the sample size. As the sample tends to be large, chi-square value also increased and is significant, this indicates a poor fit (Gursoy, 2001). The most widely fit indices which are recommended by Hair et al. (1998) are Chi-square ($\chi^2$), DF (degree of freedom), RMSEA (root mean square error of approximation), GFI (goodness of fit measure), AGF (adjusted goodness of fit index), NFI (normed fit index), and CFI (comparative fit index). The research also considered one of the aforementioned indices while making decision about good fitness of model in addition to chi-square and degree of freedom. As for this model, $\chi^2$ value of 227.635 with 166 degree was significant at p-value 0.047 which shows not good fit between sample data and proposed model. This may be due to the variation between estimated covariance matrix and observed covariance matrix (Bentler, 1990). Other fitness indices showing good fit between model and data (RMSEA = 0.044, AGFI = 0.96, GFI = 0.91, NFI = 0.95, CFI = 0.98) and chi-square degree of freedom ratio is 1.37, are within accepted range (Chau, 1997; Hair et al., 1998). These values suggested that model is practically good fit to the data.

Correlation coefficients

From descriptive analysis of variables, it is realized that individuals were satisfied and different types of organizational ethical climates were presented in banks. It is consistent with the previous findings of Deshpande (1996) which posited that more than one climate type may prevail in an organization. Bivariate correlation analysis explains that job satisfaction has negative relationship with egoistic climate for ethics, and is positively related with both benevolent climate for ethics and top management support for ethical behavior. Findings indicate no relationship between principled climate for ethics and job satisfaction. This is shown in Table 2.

Structural model

The structural model indicates the link within variables (Hair et al., 1998). Fit statistics show that all fit indices are within acceptable value (Bentler, 1990; Hair et al., 1998). This suggests that the model presented a logically good fit to the data. Figure 1 shows the beta coefficients and R-square of each construct. The model enlightened a significant variance in job satisfaction (R-square = 0.46). Results indicate that egoistic climate for ethics has significant negative relationship with job satisfaction. Benevolent climate for ethics and top management support for ethical behavior has positive significant relationship.
with job satisfaction with p-value of 0.000; while principled climate for ethics has no relationship with job satisfaction. The results do not provide adequate support for hypotheses 1, 2, and 4 as they all have significant relationship with job satisfaction. Hypothesis 3 was supported because results provided adequately statistical support to accept it. Regression results are shown in Table 3.

### DISCUSSION

The purpose of this study is to test the relationship between organizational ethics (e.g. organizational climate for ethics and top management support for ethical behavior) and job satisfaction.

Interestingly, the study findings indicate that three ethical climate types: egoistic ethical climate, benevolent climate for ethics, and principled ethical climate, may coexist (Leung, 2008; Tseng and Fan, 2011). As for organizational ethical climate, egoistic climate for ethics, and principled ethical climate, may coexist (Leung, 2008; Tseng and Fan, 2011). As for organizational ethical climate, egoistic climate for ethics, and principled ethical climate focused on obedience to rules and regulations, and developed a consensus among employees about what is acceptable in an organizational setting (Koh and Boo, 2001; Tseng and Fan, 2011). According to Kohlberg’s theory of moral judgment, alignment in organizational goals and individual’s personal goal may help to promote ethical behaviors at workplace, and workers may identify how their behavior and decisions influence others (McDaniel, 2004).

Results of the study reveals that organizational ethics in term of egoistic climate for ethics has negative association with job satisfaction. The findings are relatively consistent with the previous findings by Asad (2011) and Bulutlar and Oz (2008). They also reported that when organization emphasize on promoting its self-interests, employees experience dissatisfaction. Benevolent and principled ethical climate help organizations to develop a cooperative and supportive working environment which is good for both employees as well as the organization. Results demonstrate a strong and positive relationship between benevolent climate for ethics and job satisfaction. Results are contradictory with the previous findings by Koh and Boo (2001). Their results do not show any relationship between benevolent climate for ethics and job satisfaction. This inconsistency may be
due to cultural differences. Pakistan has different cultural values compared to other countries. Asad (2011) reports that Islam clearly explains the relationship between the employee and employer, and also emphasized on promoting mutual interest rather than to protect one group's interest. A study by Tseng and Fan (2011) also identified that individuals always strive for accomplishing their personal interests. When the organization is concerned about their benefits, they will show more productive behaviors. They found no relationship between benevolence climate for ethics and job satisfaction. Principle climate for ethics has no relationship with job satisfaction in this study; while Koh and Boo (2001) reported a positive relationship. As Pakistan is an Islamic culture country, Islam clearly explains that individuals are morally responsible to obey and follow the rules and procedure even when the organization does not strictly ask the employees to follow them (Asad, 2011).

The results support both organizational justice theory and cognitive dissonance theory. When an organization has weak egoistic climate and strong benevolence climate, it means the organization has fairness at workplace and positive work environment. In such environment, employees feel more satisfaction and less cognitive dissonance (Sims and Kroeck, 1994; Koh and Boo, 2001). Top management support for ethical behavior has positive relationship with job satisfaction. So current findings are consistent with prior study by Viswesvaran et al. (1998) and Koh and Boo (2001), and validate their findings. Asad (2011) explains that employees are found more satisfied by following their leaders when found them supportive of ethical behaviors. This theory demonstrates that when employee are confronted with unethical behaviors by their superiors, they are forced to do what they are asked to do; due to power distance in culture, employees do not go against their bosses and therefore do as they are ordered. So in these circumstances, a conflict arises between their personal work values which lower their satisfaction level. On the other hand, justice theory proposed that when employees have found their organization more egoistic which highlights self-preference, employees show low motivation which leads to dissatisfaction. While, if the organization have benevolence approach and have balance principled climate then its employees will perceive caring a organization, and therefore tend to display positive behaviors like job satisfaction.

From the preceding discussion, it can be concluded that egoistic climate for ethics and job satisfaction has negative relationship, which do not support hypothesis 1. There is a positive association between benevolent climate and job satisfaction, thus hypothesis 2 is not supported. Results suggested that principled climate has no relationship with employees job satisfaction, as in Islamic business ethics employees always believe in obeying the rules and regulations even when the organization do not place emphasis on following them strictly; so the third hypothesis is supported. However, the study does not support hypothesis 4, which proposed that there is no relationship between top management support for ethical behavior and job satisfaction.

**PRACTICAL IMPLICATIONS**

The purpose of this study is to assess how organizational ethics namely: ethical climate and top management, support for ethical behavior influence individuals satisfaction. The results of this study recommend that bank’s employees’ organizational ethics potentially influence employees’ job satisfaction, and management can enhance their satisfaction by developing favorable climate for ethics in organizations. In this study, ethical climate shows a positive and significant relationship with job satisfaction.

This research essentially helps the organizations and individual to develop a theoretical and practical framework in understanding how organizational ethics with reference to ethical climate and top management commitment for ethical behavior, stimulate and influence work responses. As for theoretical contribution, numerous researchers have explored the influence of organizational ethics on various job outcomes. Yet, seldom research has been done from organizational ethics perspective in Pakistan. The present study hypothesizes relationships between various constructs to address these issues.

Practically, this research may help managers enhance job satisfaction by developing strong ethical culture within organization which will reduce turnover and absenteeism (Pettijohn et al., 2007; Mulki et al., 2008). Such efforts by management concurrently support employees to engage in ethical behavior. As a result organization gets good reputation, and business will flourish. In the past, various researchers also found such a positive relationship (Koh and Boo, 2001; Whitehead, 1998). The considerable point is that top management has significant impact on organizational ethics. It is suggested that business leaders can produce constructive job attitudes, behaviors and organizational outcomes through organizational ethics.

This study provides an enhanced understanding regarding the relationship between organizational ethics and job satisfaction. The results highlight the importance of organizational ethics, with particular emphasis laid on top management support for effective management practice, which is very crucial for maintaining high employee satisfaction level. In other words, the findings are very important for banking professionals to keep their workforce happy. It is suggested that when ethical problems exits at workplace, it is the responsibility of both employees and organizations that they always help each other by discussing it frankly so as to remove it.

This study has significant contribution in ethics’ literature, especially in the context of Pakistani culture. As said
earlier, the author is not aware that any study has been conducted to assess the association between organizational ethics and job satisfaction. So this study will be helpful to advance the ethics literature with relation to job satisfaction. This relationship is very critical, because presently, due to high competition and increasing importance of human capital, it is a big challenge for banks to maintain the satisfaction level of their employees. At the same time, this can be possible only when management develop a strong ethical climate and support for good behavior. When organizational ethical values are stronger and organisations are more supportive to ethical behaviour, then employees will be more satisfied. On the other hand, it makes sure the organization survives for a long period of time.

Although, this study pays considerable attention to the research methodology and data analysis, it still has various limitations. Data was collected through a cross-sectional self report survey; therefore, same source biasness may potentially be a problem with the study. In addition, the study lacks generalizability because this study was done on banking professionals, in other professions like education, health and law, the results might be different, because these profession have significant impact on society. These professions have totally different work values compared to the banking sector.

**FUTURE RESEARCH**

Future research should consider some other factors like job security, corporate social responsibility etc. and should be addressed to enhance understanding. As for dependent variables, in this study only job satisfaction was researched; so future research can be extended to some other organizational outcomes like turnover intention, organizational citizenship behavior, aggressiveness and abusive behavior at work place. This study was just on banking industry, but it should be conducted in other sectors so as to validate the generalizability. In this study, data was cross sectional; if this limitation can be addressed in the future then results will be more valid. Finally, future research should be done into different cultures so as to observe the antecedents and consequences of organizational ethics at international level.

**REFERENCES**


