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The Effect Of Ethical Climate On Work Engagement

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Abstract

In order to survive and gain competitive advantage in this fast changing environment, nowadays organizations attribute much more importance to their work force. This situation leads to efforts that make employees more engaged. While engaging employees depends on many agents and variables, the predominant ethical climate within an organization is one of these factors. Ethical climate and work engagement are two management concepts which are in mutual interaction.

In this study, ethical climate and work engagement concepts are studied theoretically. The main purpose of this study is to examine ethical climate's relationship with work engagement. The measurement of work engagement has been made by the most common measure of Schaufeli, Salanova, González-Romá & Bakker's (2002b) Utrecht Engagement Scale (UWES). Ethical Climate has been measured by the Ethical Climate Questionnaire developed by Victor and Cullen (1988). ECQ is the most common measure in ethical climate research, as well. The measurements have been gathered together in a 53-item survey and applied to 199 employees of one of the biggest automotive manufacturer located in Bursa, Turkey.

The results show that work engagement is positively and significantly related with ethical climate. Social responsibility climate has a greater effect on work engagement than other dimensions of ethical climate. Social responsibility climate's effect on dedication dimension of work engagement is greater than its effect on absorption and vigor dimensions. Ethical climate's relationship with dedication and absorption is stronger than its relationship with vigor.

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1. Introduction

Business ethics has become a popular topic for the last two decades, especially after corporate scandals such as Enron, Tyco, and Worldcom were disclosed. Due to these facts and the lack of transparency among organizations, "there is a growing acceptance of the notion that the organizational environment has a strong influence on employees' unethical behavior" (Trevino et al., 2006, p. 951).

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Every organization has its own ethical climate. A self-evident example for this is the Tylenol case. In 1982 and 1986 after it was understood that Tylenol - a product of McNeil Laboratories which is a subsidiary of Johnson & Johnson - caused poisoning, Johnson & Johnson voluntarily and completely withdrew the product from the market. The firm decided to do the right thing without concerning about the cost. “ According to Johnson & Johnson’s CEO Burke, the Tylenol plan for action sprang directly from the company’s credo, which ranks service to consumers as its uppermost goal, followed by responsibility to workers, management, and the community; financial returns come last” (Cullen et al., 2001, p. 51).

In Turkey, especially after bankruptcies of some private banks, and a couple of pharmaceuticals scandals which disclosed the relationships between some personnel of the Social Security Institution (formerly known as Social Insurance Institution) and the top executives of a few world-wide pharmaceutical companies, it is the public opinion that corporates should behave more ethically and be more transparent.

Work engagement is one of the most popular terms in both the academic and practitioner literatures. The construct is also one of the widely used terms by consulting firms. Despite this, there remains a lack of critical academic literature on the subject, and relatively little is known about how employee engagement can be influenced by management. Such a challenging, rapidly changing, competitive, and high tech business environment just as today’s requires to go some extra miles for both parties - organizations and employees. When we put the economic crises and all the uncertainty on the circumstances above, it is obvious that there is great pressure on organizations and employees.

In these modern times, every asset of an organization can be stolen, bought or duplicated by their rivals or other organizations. What cannot be duplicated is the intellectual and human capital of an organization. This is why, what makes the difference within an organization, both positive and negative, is its organizational actors. Engagement is a very important concept with many positive organizational outcomes such as increased organizational citizenship behavior, commitment, job involvement, and intention to remain in the organization, lower absenteeism, and increased productivity, healthier and happier employees. Organizations, especially top management, should give adequate importance to work engagement in order to survive in such a competitive business world.

Based on an extensive literature review, this study aims to analyze the relationship between ethical climate and work engagement. This research paper begins with a literature review of the concepts. Based on this literature review, a model and hypotheses are represented in the coming part. Research methodology including research instrument, analyses and results will be presented in the next section. As a result of the analyses, findings, implications and conclusion will be provided in the last section.

2. Literature Review

2.1 Ethical Climate

Victor and Cullen are the first researchers who introduce the construct of ethical climate in 1987 and are known as the “fathers ” of ethical climate. It is believed that just like individuals corporates have their own sets of ethics help define their characters. “The sociocultural environment, organizational form, and organization – specific history are identified as determinants of the ethical climates in organizations ” (Victor and Cullen, 1988, p. 101). Taking the right action in an organization when faced with a decision that influences other people is related to the work climate of the organization. This work climate determine what constitutes ethical behavior at work (Victor and Cullen, 1988). Victor and Cullen (1987, p. 51)define ethical climate as “ the shared perception of what is correct behavior, and how ethical situations should be handled in an organization ” . According to Denison (1996) ethical climate lies beneath the organization’s value system . Studies show that top management plays a critical role both in the generation and continuation of a firm’s ethical climate (Deal and Kennedy, 1982; Schein, 1985). Codes influence an employee’s ethical decision-making mechanism broadly when they become an active part of an employee’s working knowledge (Hegarty and Sims, 1979,). Moreover, according to Weeks and Nantel (1992), when codes are effectively communicated and understood it is likely to result in greater ethical behavior .

In 1988, Martin and Cullen have created an ethical climate model they based Ethical Climate Theory (ECT) both on ethical philosophy and sociological theory of reference groups. The ethical philosophical dimension is inspired from Kohlberg’s (1984) moral development study. The locus of analysis which constitutes the sociological dimension of ECT completes the classification of ethical climate types. Victor and Cullen (1988) based the sociological dimension of ECT on sociological theory of Merton (1968) and its application to organizational contexts.

Victor and Cullen (1988) created an ethical climate model and measured this model by utilizing philosophical and sociological perspectives. They created a two-dimensional model to describe the different types of ethical climates that exist in organizations. The first criterion is ethical criterion which they inspired from Kohlberg's works on psychology of ethics. In Kohlberg's study ethical standards have three types; self-interest, caring and principle (Cullen et al., 2001). As Cullen et al. (2001, p. 54) stated that "these three standards correspond to philosophy's three major classes of ethical theory; egoism, utilitarianism or benevolence, and deontology or principle". Egoism is the wish of maximizing one's own interest. Utilitarianism determines the wish of maximizing the interest of not only oneself but also others which means it maximizes the joint interest. Deontology is the desire to do the absolute right thing regardless of action's outcome which means deontology isn't interested in whose interests are affected by doing the right thing (Martin, and Cullen, 2006). These three standards establish the vertical axis of Victor and Cullen's ethical climate model. The second dimension shows the locus of analysis which is inspired from the work of Merton (1957) on roles and references group. Locus of analysis relates to who the referent is for one's actions. There are three loci of analysis; self (i.e., oneself), local (i.e., one's organization or department) and cosmopolitan (i.e., the environment external to the organization) (Mayer et al., 2009). Locus of analysis dimension establishes the horizontal axis of the model. The cross-tabulation of the ethical criteria and locus of analysis dimension define the different ethical climate types.

2.1.1 Theoretical and Empirical Dimensions of Ethical Climate

Victor and Cullen (1988) composed a chart showing possible ethical climates based on philosophical, sociological and psychological theory. The chart has two axes representing how the ethical systems are derived and to whom they apply. "As the vertical axis shows (how the systems are derived), ethical systems may be based upon self-interest, caring or abstract principle. As the horizontal axis shows (to whom they apply), ethics may be applied to individuals, the group, or society at large" (Cullen et al., 2001, p. 53-54). This matrix forms nine theoretical dimensions of ethical climate; self-interest, company profit, efficiency, friendship, team interest, social responsibility, personal morality, rules and standard operating procedures, and laws and professional codes. As a result of a series of survey studies, they approved the existence of five out of nine climate types which they labelled; caring, law and code, rules, instrumental, and independence (Cullen, Victor and Bronson, 1993; Victor and Cullen, 1987, 1988).

2.2 Work Engagement

Work engagement is "harnessing of organization members' selves to their work roles" (Kahn, 1990, p. 694). It is "a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption" (Schaufeli et al., 2002b, p. 74). Work engagement is "a positive attitude held by the employee towards the organization and its values" (Robinson, Perryman and Hayday, 2004, p. 9). Work engagement is "bringing discretionary effort to work, in the form of extra time, brainpower, and energy" (Frank et al., 2004, p. 15). Rothbard (2001) defines engagement as psychological presence and states that it involves two critical components: attention and absorption. . Schaufeli et al. (2002b) state that engagement is not a momentary and specific state, but rather, it is "a more persistent and pervasive affective-cognitive state that is not focused on any particular object, event, individual, or behavior" (Schaufeli et al., 2002b, p. 74). Three dimensions of work engagement can be defined as follows; vigor is feeling oneself highly energetic and willing to work even in the face of difficulties. Dedication is feeling a sense of significance, enthusiasm, inspiration, pride, and challenge. It pertains to strong involvement. Absorption is characterized by being fully concentrated and deeply engrossed in one's work. When feeling absorbed one becomes insensible of time and has difficulties with detaching oneself from work (Schaufeli et al., 2002b).

2.2.1 The Difference Between Work Engagement and Organizational Commitment, Job Involvement, Organizational Citizenship Behavior (OCB)

Organizational commitment commonly defined as the employee's involvement and identification with their respective organization (Porter, Steers, Mowday & Boulian 1974). Porter and his colleagues (1974) have identified three components of commitment; employee belief and acceptance of the organization's values and goals; the want to exert an extra effort on behalf of the organization and a desire to remain with the organization. Although these two constructs sound similar, organizational commitment differs from work engagement. Saks (2006) argues that while commitment refers to a person's attitude and attachment towards their organization, engagement is not an attitude; it is the degree to which an individual is attentive and absorbed in the performance of their roles. According to Maslach et al. (2001) "organizational commitment refers to an employee's allegiance to the organization that provides employment that provides employment. The focus is on the organization, whereas engagement focuses on the work

itself” (Maslach et al. , 2001, p. 416). Previous studies have also shown that work engagement can be discriminated from organizational commitment (Hallberg & Schaufeli, 2006).

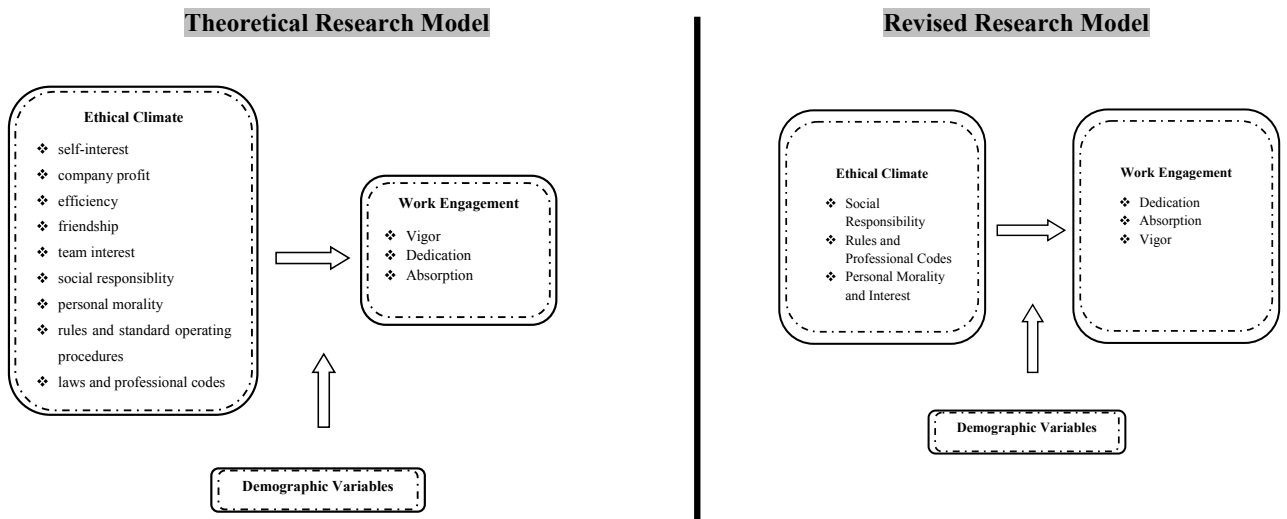
Although Job involvement also appears to be similar to work engagement, these two concepts are different. Job involvement can be defined as ‘a cognitive or belief state of psychological identification’ (Kanungo, 1982, p. 342). Job involvement is the result of a cognitive judgment about the need satisfying abilities of the job and is tied to one’s self-image (May et al., 2004). Engagement deals with how individuals employ themselves in the performance of their job. Along with cognitions, emotions and behaviors play an active role in engagement.

Another construct that is confused with work engagement is organizational citizenship behavior (OCB). Organ (1988, p. 4) defined OCB as “ the individual behavior that is discretionary, not directly or explicitly recognized by the formal reward system, and that in the aggregate promotes the affective running of the organization. As Saks (2006, p. 602) stated while OCB involves voluntary and informal behaviors that can help co-workers and the organization, the focus of engagement is one’s formal role performance rather than extra-role and voluntary behavior . Although engaged employees most commonly act like good organizational citizens, OCB is concerned with the characteristics and behavior of the employee, rather than the organization (Robinson, Perryman, Hayday, 2004, p. 21).

3. Research Model And Hypotheses

- H1: Ethical climate affects work engagement*
- H1a: Ethical climate affects dedication*
- H1b: Ethical climate affects absorption*
- H1c: Ethical climate affects vigor*

Figure1. Theoretical And Revised Research Model



4. Methodology

4.1 Research Goal

In this study, the main purpose of this study was to examine ethical climate’s relationship with work engagement. In order to analyze this relationship, measurements of the concepts have been gathered together in a 53-item survey and applied to 199 employees of one of the biggest automotive manufacturer operating in Bursa, Turkey. Ethical Climate is measured in three dimensions; Social Responsibility Rules and Professional Codes Personal Morality and Interest. Work Engagement also is measured in three dimensions which are vigor, dedication and

absorption. All the collected 199 surveys will be analyzed by factor analysis and the hypothesis are analyzed by regression analysis. To perform these statistical analyses, SPSS statistical package is used.

4.2 Sample and Data Collection

The questionnaire is applied in a convenient sample of 199 employees. The ECQ scale composed of 26 descriptive statements. A 6-point Likert-type scale, anchored from completely false to completely true is used. Work engagement was measured with 17 items from the Utrecht Work Engagement Scale (UWES). The scale was developed by Schaufeli et al. (2002). 17 items cover three aspects of the work engagement construct: vigor, dedication and absorption. A 6-point response scale was used for work engagement questionnaire, ranging from “always” (1) to “never” (6).

5. Findings

Exploratory factor analysis is, conducted to examine the factors of ethical climate and work engagement. After deciding on the factors related with the variables, reliability analysis is conducted. Cronbach's α is calculated separately for both dependent and independent variables. Simple and multiple regression tests are conducted to test the significance of the research model.

Table 1. Reliability and Factor Analysis of Ethical Climate

Item No.	Factor Loading	% Variance		Cronbach α
		Explained		
Factor 1 : Social Responsibility (Mean=3,0829)			24,395	0,841
34	The effect of decisions on the customer and the public are a primary concern in this company.	0,764		
36	Efficient solutions to problems are always sought here.	0,747		
32	What is best for each individual is a primary concern in this organization.	0,724		
33	People in this company are very concerned about what is best for themselves.	0,71		
35	It is expected that each individual is cared for when making decisions here.	0,694		
30	People in this company are actively concerned about the customer's, and the public's interest.	0,669		
Factor 2: Rules and Professional Codes (Mean=3,0804)			19,067	0,825
19	The most efficient way is always the right way, in this company.	0,863		
20	In this company, people are expected to strictly follow legal or professional standards.	0,804		
18	Successful people in this company go by the book.	0,711		
15	Everyone is expected to stick by company rules and procedures.	0,655		
Factor 3: Personal Morality and Interest (Mean=3,2328)			17,418	0,777
10	In this company, people protect their own interest above other considerations.	0,771		
11	The most important consideration in this company is each person's sense of right or wrong.	0,754		
9	Each person in this company decides for himself what is right and wrong.	0,75		
12	The most important concern is the good of all the people in the company.	0,698		
KMO=0,868 / Chi-Square Bartlett's Test= 1,069E3 / P=0,000			60,881	

Table 2. Reliability and Factor Analysis of Work Engagement

	Factor Loading	% Variance		Cronbach α
		Explained		
Factor 1 : Dedication (Mean=3,0955)			22,667	0,798
	At my work, I feel bursting with energy.	0,79		
	I find the work that I do full of meaning and purpose.	0,767		
	Time flies when I am working.	0,746		
	I am enthusiastic about my job.	0,618		
Factor 2: Absorption (Mean=3,0892)			21,723	0,767
	I can continue working for very long periods at a time.	0,798		
	To me, my job is challenging.	0,69		
	I am immersed in my work.	0,688		
	I feel happy when I am working intensely.	0,63		
Factor 3: Vigor (Mean=2,9698)			20,904	0,83
	It is difficult to detach myself from my job.	0,871		
	At my work, I always persevere, even when things do not go well.	0,811		
	At my job, I am very resilient, mentally.	0,769		
KMO=0,874 / Chi-Square Bartlett's Test= 847,689 / P=0,000			65,294	

H1: Ethical climate affects work engagement. For all the three ethical climate factors in the model, it can be stated from the tables above that the R value is 0,656 and R square is explaining 43,1% of the variance of work engagement. Also, it should be noted that all three factors of ethical climate is significant at $p=0,05$ (Social Responsibility = 0,000, Rules and Professional Codes = 0,015, and Personal Morality and Interest = 0,032). Therefore, it can be stated that social responsibility climate, rules and professional codes climate, and personal morality and interest climate affect work engagement. Altogether these three factors explains 43,1% of the variance of work engagement.

Table 3. Multiple Regression Analysis Coefficients (a) for Ethical Climate and Work Engagement

Coefficients ^a							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	0,797	0,199		4,007	0		
Social Responsibility	0,482	0,061	0,499	7,961	0	0,742	1,348
Rules and Professional Codes	0,128	0,052	0,158	2,455	0,015	0,708	1,413
1 Personal Morality and Interest	0,118	0,055	0,131	2,164	0,032	0,793	1,261

a. Dependent Variable: Work Engagement

H1a: Ethical climate affects Dedication. Social responsibility climate ($p=0,000 < 0,05$) and rules and professional codes climate ($p=0,049 < 0,05$) affect dedication dimension of work engagement. However, personal morality and interest climate ($p=0,746 > 0,05$) does not influence dedication. R square points that social responsibility climate and rules and professional codes climate explain 43,3% of the variance of dedication.

Table 4. Multiple Regression Analysis Coefficients (a) for Ethical Climate and Dedication

Coefficients ^a							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
(Constant)	0,789	0,225		3,505	0,001		
1 Social Responsibility	0,652	0,069	0,596	9,516	0	0,742	1,348
Rules and Professional Codes	0,117	0,059	0,127	1,981	0,049	0,708	1,413
Personal Morality and Interest	-0,02	0,062	-0,02	-0,325	0,746	0,793	1,261

a. Dependent Variable: Dedication

H1b: Ethical climate affects Absorption. Social responsibility climate ($p=0,000 < 0,05$) and personal morality and interest climate ($p=0,004 < 0,05$) affect absorption dimension of work engagement. However, rules and professional codes climate ($p=0,195 > 0,05$) does not affect absorption. R square points that social responsibility climate and personal morality and interest climate explain 27,9 % of the variance of absorption.

Table 5. Multiple Regression Analysis Coefficients (a) for Ethical Climate and Absorption

Coefficients ^a							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	1,003	0,247		4,06	0		
Social Responsibility	0,386	0,075	0,362	5,131	0	0,742	1,348
Rules and Professional Codes	0,084	0,065	0,094	1,3	0,195	0,708	1,413
Personal Morality and Interest	0,197	0,068	0,199	2,911	0,004	0,793	1,261

a. Dependent Variable: Absorption

H1c: Ethical climate affects Vigor. Social responsibility climate, personal morality and interest climate, and rules and professional codes climate affect vigor dimension of work engagement (Social Responsibility Climate = 0,000, Rules and Professional Codes Climate = 0,024, and Personal Morality and Interest Climate = 0,035). R square points that these three factors explain 22,2 % of the variance of vigor.

Table 6. Multiple Regression Analysis Coefficients (a) for Ethical Climate and Vigor

Coefficients ^a							
Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.	Collinearity Statistics	
	B	Std. Error	Beta			Tolerance	VIF
1 (Constant)	0,533	0,338		1,576	0,117		
Social Responsibility	0,383	0,103	0,273	3,724	0	0,742	1,348
Rules and Professional Codes	0,201	0,089	0,17	2,27	0,024	0,708	1,413
Personal Morality and Interest	0,197	0,093	0,15	2,12	0,035	0,793	1,261

a. Dependent Variable: Vigor

6. Results and Implications

The analyses of the study began with factor and reliability analyses to find out the relevant factors of variables considering the suggested theoretical research model. Through these analyses, it's found out that social responsibility dimension of ethical climate, appears to be the same with the studies of Cullen, Victor, and Bronson (1993) , Peterson (2002b) , Rothwell and Baldwin (2006a) , Vaicys, Barnett, and Brown (1996) , Barnett and Schubert (2002).

Another dimension is rules and professional codes which consists of the synthesis of “rules and standard operation procedures”, and “law and professional codes”. It is named that way because it encompasses the items of both rules and standard operation procedures, and law and professional codes. Scholars such as Wimbush, Shepard, & Markham (1997a) , Wimbush, Shepard, & Markham (1997b) , Rothwell & Baldwin (2006a) , and Vaicys, Barnett, and Brown (1996) found the combination of these two ethical climate types in their studies too but they prefer naming the dimension “ law and rules” and “ law and codes”. The last dimension of ethical climate emerged in this study is “personal morality and interest” which is not met within the extant literature. The personal morality and interest dimension is named that way because it encompasses the items of both personal morality and personal interest dimensions of ethical climate.

For the dependent variable of our model, three factors of dedication, absorption, and vigor came out as final factors. This outcome is in line with the previous studies of Schaufeli and Bakker, 2003, 2009 and Schaufeli et al., 2002b. As regression analyses show, there is a significant relationship between ethical climate and work engagement. When we examine the relationship between dimensions of both variables, it is seen that especially social responsibility climate has a greater effect on work engagement than rules and professional codes, and personal morality and interest dimensions of ethical climate. Social responsibility climate's effect on dedication dimension of work engagement is greater than its effect on absorption and vigor dimensions. Ethical climate's relationship with dedication and absorption is stronger than its relationship with vigor.

Due to the fact that this is the only study examining the relationship between ethical climate and work engagement there is no comparative study. However, still we can give examples of relationship between ethical climate and some constructs related to work engagement such as organizational commitment, organizational citizenship behavior, job involvement, and job satisfaction. A significant relationship between organizational commitment and ethical climate (Ambrose et al. 2007, Babin et al. 2000 , Cullen, Parboteeah, Victor 2003 , Martin and Cullen 2006 , Schwepker 2001 , Schwepker and Hartline 2005 , Trevinno, Butterfield, and McCabe 1998 , job satisfaction and ethical climate (Ambrose, Arnaud, and Schminke 2007 , Babin, et al. 2000 , Deshpande 1996a , Jaramillo, Mulki, and Solomon 2006 , Martin and Cullen 2006 , Schwepker 2001 , Schwepker and Hartline 2005, Ulrich, et al. 2007), turnover intentions and ethical climate (Ambrose et al. 2007, Hart 2005, Schwepker 2001, Ulrich et al. 2007) is found by the researchers. Although there isn't any study investigating the relationship between ethical climate and work engagement in the literature, Maslach et al. (2001) found out that conflict between values is a cause

for burnout which is considered as the anti-thesis of engagement by some researchers (Maslach et al., 2001, p. 415). Just like ethical climate, work engagement is related to intention to quit. Studies exhibit that engaged employees are more likely to remain in their organizations which leads to low turnover as a consequence (Schaufeli, et al., 2002b ; Schaufeli and Bakker, 2004b; Jones and Harter, 2005, Harter, Schmidt, and Hayes, 2002).

7. Conclusion

The conclusion of this study can be summarized as demonstrating the significant relationship between ethical climate and work engagement. As we investigate the relationship it is proved by the analysis that social responsibility climate has a greater effect on work engagement, especially on dedication dimension of work engagement. It is also displayed the stronger relationship of ethical climate with dedication and absorption dimensions than vigor dimension of work engagement.

The reason organizations have ethical values and standards are the same with their reason of existence, to make profit. Organizations look for perfection in every field to increase their profits. By means of ethical standards, uncertainty can be eliminated within an organization which as a consequence makes possible to make forecasts in fundamental components of business. An organization which is perceived to be ethical is not appreciated only by its customers. Working in an ethical workplace is also important for and demanded by employees. We know that the difference between organizational and personal ethical values may cause many serious problems. On the other hand, the conformity of these two parties' ethical perspectives may cause a fruitful synergy. Employees can show their appreciation by being more engaged to their organization which in return may lead to a competitive advantage in such a challenging business world.

In conclusion, in this rapidly changing, competitive business world organizations need to have a set of distinctive ethical standards and values and an organization-specific ethical climate. Organizations, especially the top management, should recognize the importance of work engagement and should work harder in order to achieve and improve it. Organizations which adopt an ethical management style and manage to increase work engagement will be survivors in the long run.

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