THE EFFECT OF AN ETHICAL WORK CLIMATE ON ORGANIZATIONAL IDENTIFICATION AN EXAMPLE OF A LOGISTICS COMPANY

Pinar Acar[1], Mujdelen I. Yener[2], Asli Tayan[3]
[1]Beykoz University, Faculty of Management and Administration, İstanbul, Turkey.
 pinaracar@beykoz.edu.tr, ORCID: 0000-0002-4290-6383
[2]Marmara University, Faculty of Business Administration, İstanbul, Turkey.
 mujdelenyener@marmara.edu.tr, ORCID: 0000-0002-1259-9845
[3]Marmara University, Faculty of Business Administration, İstanbul, Turkey.
 aslitayan@gmail.com, ORCID: 0000-0002-8913-8414

ABSTRACT

Purpose - This empirical study examines the relationship between an ethical work climate and organizational identification.
Methodology - The survey was conducted across 122 employees, consisting of a sample from staff and managers of a leading logistic company in Turkey, which has branches in different cities such as İzmir, Mersin and İstanbul. The obtained data from the questionnaires were analyzed through the SPSS statistical package software.
Findings- Analyses results revealed that two ethical work climate dimensions appear to have a positive impact on organizational identification.
Conclusion- In today's tough competitive environment achieving successful organizational outcomes are related to employee behavior and the factors that are affecting their attitudes towards the organization.

Keywords: Organizational identification, ethical work climate, quantitative research method, logistics sector
JEL Codes: M10, M19, C8

1. INTRODUCTION

In recent years the amount of unethical activity has increased and it has caused a major loss of company reputation and competetive advantage. These cases emphasize the significance of an ethical work climate in explaining how and why unethical behavior occurs. An ethical climate is one of the major factors modifying intra-organizational relationships and affecting employees' attitudes, consequently it has a great impact on organizational outcomes. The presence of an ethical climate can lead to an increase in employee job satisfaction and organizational commitment, affect job performance and turnover intention. An ethical Work Climate represents the common perception employees have regarding the policies, practices and procedures which an organization awards, supports and expects in relation to ethics. The achievement of competitive advantage depends on employee behavior and organizational identification and has a strong correlation to employees' job attitudes in creating an ethical work climate. Organizational identification classifies individuals into groups and describes their social environment according to these classifications. Organizational Identification plays an important role in explaining and predicting the employee-organization relationship bringing successful outcomes as higher motivation, performance, and organizational citizenship behaviors. A significant amount of study examines the consequences of employees' identification with their organization but less research analyzes the antecedents of organization identification.

The purpose of this study is to investigate how an ethical work climate influences organizational identification. In addition the effect of demographic variables is investigated. The study begins with a literature review and theoretical background of ethical climate and organizational identification. The researchmodel and methodology are discussed in the second part. In the last section the research findings are discussed and recommendation made.

2. LITERATURE REVIEW

2.1. Ethical Climate

The ethical climate is one of the major factors formalizing intra-organizational relationships and employee attitudes. Ethics is the ability to distinguish the good and the right and always to act accordingly. Climate is the method which operationalizes the routine behaviors and actions that are promoted and rewarded by the organization (Schneider and Rentsch, 1988). Climate may vary within a company and organizations can have several climate types. Ethical climates were regarded as subsets of work climates. Victor and Cullen (1988) defined the ethical climate within an organization as "…the shared perceptions of what is ethically correct behavior and how ethical issues should be handled" (p.51) and "the prevailing perceptions of typical organizational practices and procedures that have ethical content" (p. 101). An ethical work climate consists of the perceptions of rightness or wrongness present in the organization's work environment (Babin et al., 2000) and sets up the norms for acceptable and unacceptable behavior within the company.

Three factors determined a company's ethical climate: the environment in which the organization functions, the form of the organization (centralized, divisional, multinational) and the organization's history (Cullen, Victor& Stephens, 1989). Ethical climates within organizations need to represent societal norms to obtain legitimacy. The normative systems in an organization need to be sufficiently known to their employees to be able to be noticed as a type of work climate. Although organizations had a variety of climates, research has verified that there exists a dominant climate within an organization or a subgroup. The study of ethical work climate attempted to describe which dominant form of reasoning led employee behavior when confronted with an ethical dilemma.

Ethical Climate Theory (ECT) was developed by Victor and Cullen (1987, 1988). They were inspired by Kohlberg's (1984) work on moral development and Schneider's (1983) work on sociocultural theories of organization. Relying on Kohlberg's ethical standards Victor and Cullen (1988) classified ethical climates according to ethical theories which varied by moral reasoning; *egoism, benevolence and principled*. In a widely egoistic climate self-interest might be the dominant consideration, in a benevolent climate consideration of the well-being of others may be the dominant reasoning used by employees to show and solve ethical problems, in a principled climate rules or laws are the dominant form of reasoning. Individuals make their ethical decisions by conforming to common right and wrong values which are accepted as universal. The second dimension "locus of analysis" is described as "the referent group identifying the source of moral reasoning used for applying ethical criteria to organizational decisions and/or the limits on what would be considered in ethical analyses of organizational decisions" (Victor & Cullen, 1988, p.105). *Individual level* was articulated as external to the organization in the way in which the normative climate was supported by the ethical reasoning of the individual. *Local level* symbolizes sources of ethical reasoning in the organization such as the workgroup. *Cosmopolitan level* indicated organizational sources of ethical reasoning external to the organization such as a professional association or a body of law. The intersection of the ethical theory dimension and the sociological theory dimension creates a matrix of nine theoretical climate types.

Figure 1: Theoretical Model of Ethical Climate Matrix
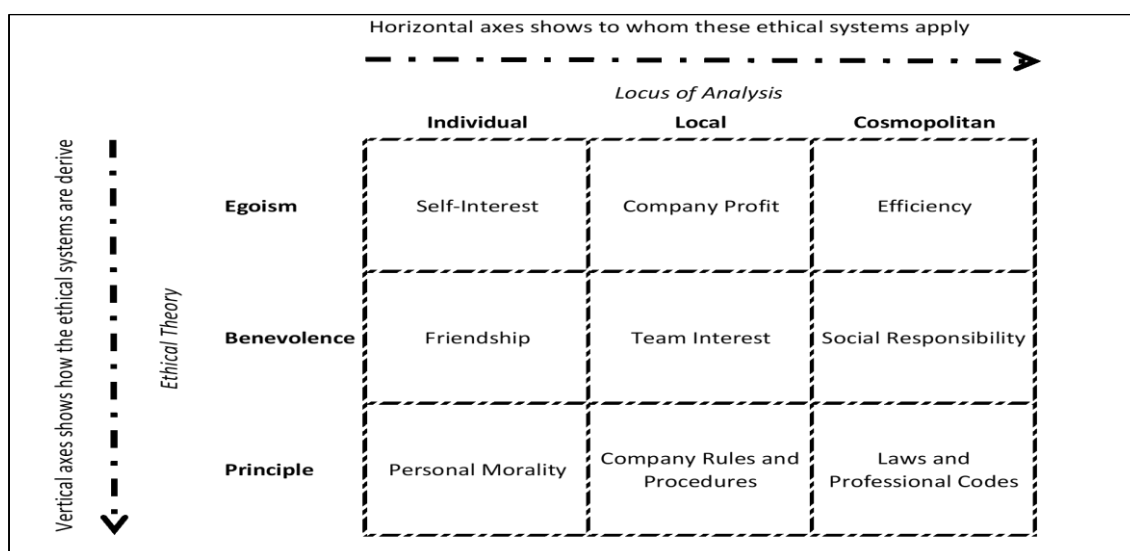
Source: Martin & Cullen, 2006. P. 178

The first dimension represented which ethical theories were utilized for decision-making and the second dimension represented to whom the ethical systems apply.

Self-interest climate based upon egoistic moral judgement and individual locus of analysis. It may be described as physical well-being, pleasure, power or other criteria that encourage interest of the individual. Egoism promotes the evaluation of the requirement and choices of one's own self such as personal gain, self-defense.

Company profit climate based upon egoistic moral judgement and local locus of analysis. Because ethical decisions are affected by the immediate work group's beliefs, company profit climate addresses the context where individual decisions represent the organization's best interest.

Efficiency climate based upon egoist moral judgment and cosmopolitan locus of analysis. General social or economic interest affect ethical decisions.

Friendship climate based upon benevolent moral judgment and individual locus of analysis.It lays emphasize on the interest of one's friends (friendship, reciprocity) without taking into account organizational membership.

Team interest climate based upon benevolent moral judgment and local locus of analysis. This type of climate lays stress on concern for the organizational collective such as esprit de corps, team play.

Social responsibility climate based upon benevolent moral judgment and cosmopolitan locus of analysis.

External factors that lead to socially responsible behavior affect ethical decisions.

Personal morality climate based upon principled moral judgment and individual locus of analysis.

Individuals are expected to be directed by personal ethics. By reason of individual locus of analysis the principles are self-chosen.

Company Rules and Procedures climate based upon principled moral judgment and local locus of analysis.

The source of ethical principles derives from the organization such as rules and procedures.

Laws and Professional Codes Climate based upon principled moral judgment and cosmopolitan locus of analysis.

The source of principles goes beyond the organization such as legal systems, professional organizations.

Organizations may have combinations of ethical climates and/or a single ethical climate. In the study by Victor and Cullen five climate types emerged from nine theoretical ethical climate types and were named "*caring, law and code, rules, instrumental, independence*" (Cullen et al., 1993; Victor & Cullen, 1988).

2.2. Organizational Identification

Organizational Identification plays an important role in explaining and predicting the employee-organization relationship. Individuals have a desire to classify the people around them and to describe their social environment according to these classifications (Kelman, 1958). Individuals want to set up connections with other individuals or groups which helps self-definition. Organizations provide an environment in which an employee can express themselves, exert themself for mutual success, and be disposed to identify themselves with the organization.

The theoretical framework to explain organizational identification is the social identity approach that consists on two theories: a) social identity theory, b) self- categorization theory. Social identity theory analyzes individual's inter-group behavior and out-group discrimination by means of the individual's self-definition. An individual's self-concept and self-esteem are shaped by social identity. Tajfel (1978), the pioneer of this theory, describes social identity as "that part of an individual's self-concept which derives from his or her knowledge of his or her membership of a social group (or social groups) together with the value and emotional significance attached to that membership" (p.63). Within this context, Tajfel explained four component of identification with a group:

Cognitive component: the values and goals shared between the individual and the community that build the cognitive form of self-concept in relation to the group.

Affective component: the emotional features of the OI process that is centered around belonging and membership.

Evaluative component: the perception of positive or negative assessments from outside which consists of cognitions such as presumed knowledge.

Conative component: used to explain participation in actions which are associated with the group such as participation in organizational normative behaviors.

Tajfel distinguished between personal identity and social identity. According to social identity theory an individuals' self-concept is constituted by *personal identity* and *social identity* (Mael & Ashforth, 2001). *Personal identity* contains distinctive attributes and *social identity* contains notable group classifications (Mael & Ashforth, 2001). The self-categorization theory of Turner et al. (1987) handled inter-group processes and contextual effects on organization identification (Van Dick et al., 2005). Individuals make comparisons and categorize themselves and others based on memberships of several groups. Groups come into existence through the common consciousness of the different individuals toward the same classification (Van Dick & Wagner, 2002). Accordingly, self-categorization theory may be considered as part of social identity theory.

Throughout this process, Asforth and Mael (1989) adapted the social identity approach to the organizational context. Organizations, groups and individuals try to find an answer to the question "*Who am I*?" or "*Who are they*?" Organizational identification is accepted as a form of social identification and described as which organizational member defines himself/herself with reference to his/her organizational membership (Ashforth and Mael 1989).

2.3. Ethical Climate and Organizational Identification

Within the literature ethical climate research mostly concentrates on the relationship between ethical climate types and organizational commitment (Ambrose et al.,2008; Cullen et al., 2003; Ruppel & Harrington, 2000; Schwepker, 2001; Sims & Keon, 1997; Tsai & Huang, 2008). Although research has indicated that organizational commitment and organizational identification are markedly correlated they are distinct constructs. Unfortunately, there is a lack of research on the relationship between ethical climate and organizational identification. The study of DeConinck (2011) analyzed how an ethical work climate affects salespersons' organizational identification, supervisory trust, organizational commitment, turnover intentions, and turnover. They used a sample of 393 salespersons who worked in a variety of manufacturing and services industries. The results indicated that three of the ethical climate dimensions (responsibility/trust, ethical norms, sales practices) are positively related to organizational identification. This study shows the significant role that having an ethical work climate can play in shaping a salespersons' attitudes and behavior. The degree to which a salespersons identifies with their organizations is influenced by having an ethical work climate.

In Turkey there are no other studies that examine the concepts of ethical climate and organizational identification simultaneously. The scholars Oncer and Yildiz (2012) researched the effect of ethical climate and corporate reputation on organizational identification and established the moderating effect of an ethical climate on the relationship between corporate reputation and organizational identification. 228 employees of a leading multinational insurance company in Turkey were surveyed. The results indicated that having an ethical climate within a company does influence the degree of the effect of perceived corporate reputation on organizational identification. Benevolent ethical climate types and normative ethical climate types are positively affecting organizational identification.

3. DATA AND METHODOLOGY

3.1. Aim

Based on the literature it is proposed that there has been a relationship between an ethical work climate and organizational identification. The positive contribution of belongingness to an organization can be listed as; increased motivation, performing beyond the task, job satisfaction and extra-role. Although there has been some research concerning the outcomes of organizational identification there has been less investigation into the factors that impact on it. In the study by DeConinck how an ethical work climate affects organizational identification was analyzed (2011). As there is a lack of research on this subject we want to test the relationship between these two factors.

There is a meaningful reason to choose a global logistics company on which to conduct this study. The selected company has some codes of ethic and gives significant importance to the subject. They regularly do a survey as regards to the ethical climate of the organization and the commitment of the employees.

The following hypotheses have been developed to be tested in the study:

Hypothesis 1: There is a mutual relationship between an Ethical Climate and Organizational Identification.

Hypothesis 2: An ethical Climate has a significant impact on Organizational Identification.

Hypothesis 3: Organizational Identification levels vary according to gender.

Hypothesis 4: Organizational Identification levels vary according to departments of the company.

Hypothesis 5: The ethical Climate varies according to education level.

3.2. Sample and Data Collections

This study surveyed 122 employees working as middle and high level managers and as non-managers of one of the biggest logistics companies operating in Turkey. The company has branches in three different cities,İzmir, Mersin and İstanbul. Questionnaires were personally administered and before the delivery of hard-copies of the questionnaires an e-mail was sent to the employees by the human resources department explaining the purpose of the survey. The participants were asked to evaluate ethical climate perception on 26 items and organizational identification on 6 items. About 162 questionnaires were distributed and 122 usable questionnaires returned. Data were analyzed using the SPSS statistical packet program and the proposed hypotheses were tested through regression analyses. Blue-collar employees working in the Warehouse department or Finished Vehicle Logistic departments were excluded from the survey. The demographic profile for the sample is as follows: 61,5% of the participants are male and 50% are between the ages 25 and 34. 62,3% of the participants are university graduates and 33,6% have worked for 16 years or more. 64,8% of the participants have worked in this company for 1-5 years with 83,6% having a non-managerial title.

3.3. Measures

All items were measured on a scale ranging from 1 (strongly disagree) to 5 (strongly agree). The ethical work climate of the organization was measured by a 26-item scale questionnaire developed by Victor and Cullen (1988). Five dimensions were measured; instrumental (α=.71), caring (α=.80), independence (α=.60), rules (α=.79), law and code (α=.79) (Victor & Cullen, 1988). The organizational identification measure was evaluated by a 6-item scale within one dimension developed by Mael and Ashforth, α=.93 (1992).

4. FINDINGS AND DISCUSSIONS

4.1. Factor Analysis, Correlation and Regression Analysis

As illustrated in Table 1 three ethical climate dimensions emerged from the factor analysis. The reliability of the measures assessed by using Cronbach's alpha was satisfactory. The reliability estimates (coefficient alpha) of the three ethical climate factors were 0.93, 0.81, 0.72 respectively. According to Table I most of the respondents expressed the presence of a relatively higher level of Law and Rules climate (mean = 4.20). This was followed by caring climate (mean = 3.36) and independence climate (mean = 2.69).

Table 1: Ethical Work Climate Factor Analysis Report

QUESTIONS	FACTOR LOADING	% VARIANCE EXPLAINED	CRONBACH α	MEAN	STAND. DEV.
FACTOR 1: Law & Rules					
In this company, it is expected that you will always do what is right for the customers and public.	0,828				
The most efficent way is always the right way in this company.	0,636				
In this company, each person is expected above all to work efficiently.	0,660				
People are expected to comply with law and professional standards over and above other considerations.	0,857				
In this company, the law or ethical code of their profession is the major consideration.	0,763	35,438	0,933	4,20	0,72
In this company, people are expected to strictly follow legal or professional standards.	0,908				
In this company, the first consideration is whether a decision violates any law.	0,754				
People are expected to comply with law and professional standards over and above other considerations.	0,896				
In this company, the law or ethical code of their profession is the major consideration.	0,768				
In this company, people are expected to strictly follow legal or professional standards.	0,753				
FACTOR 2: Indepence					
In this company, people are expected to follow their own personal and moral beliefs.	0,727				
Each person in this company decides for themselves what is right and wrong.	0,759	15,574	0,815	2,69	0,813
The most important concern in this company is each person's own sense of right and wrong.	0,830				
In this company, people are guided by their own personal ethics.	0,850				
FACTOR 3: Caring					
What is best for everyone in the company is the major consideration here.	0,71				
The most important concern is the good of all the people in the company as a whole.	0,633	13,199	0,728	3,36	0,872
Our major concern is always what is the best for the other person.	0,61				
Succesful people in this company go by the book.	0,702				
TOTAL	**64,21**				

KMO	0,868
Barlett's Test of Sphericity Chi-Square	1378,16
df	153
Sig.	0,000

In regard to the dependent variable, organizational identification's reliability was estimated as 0.80. Factor loadings for the work satisfaction scale are displayed in Table 2.

Table 2: Ethical Work Climate Factor Analysis Report

QUESTIONS	% VARIANCE EXPLAINED	CRONBACH α
FACTOR 1: Organizational Identification		
When somebody critisizes my company it feels like a personal insult.		
I am very interested in what others think about my company		
When I talk about my company, I usually say "we" rather than "they".	51,787	0,800
I see my company's success as my own success.		
When somebody praices my company, it feels like a personal compliment.		
If a story in the media appears that critisizes my company, I'd feel embarressed.		
51,787		

KMO		0,747
Barlett's Test of Sphericity Chi-Square		
df		15
Sig.		0,000

According to the correlation analysis there was a weak positive linear relationship between Law & Rule and Organizational Identification (p-value= 0,448) as well as the relationship between Caring and Organizational Identification (p-value= 0,410). However, there was no mutual relationship between Independence and Organizational Identification (p-value= 0,248). In addition to the correlation analysis, simple linear regression was applied to dependent and independent variables of the model, including sub-factors. It has been determined that Law & Rule ethical climate and Independence ethical climate have an impact on organizational identification.

Table 3: Regression Analysis Results

Factors	Standardized Coefficient	t	Sig.
Law and Rules	0,448	5,482	0,000
Caring	0,410	4,929	0,000

Dependent Variable: Organizational Identification

4.2. T-Test and Anova Test

The t-test was used to test for a difference in organizational identification scores between males and females. No difference between the identification levels of male and female (p-value>0,05) was identified. One-way variance analysis (ANOVA) was used for more than two variables. In regard to department categories, significant differences in organizational identification was observed (Levene sig.value=0,605, Anova p value=0,000). According to the scheffe test result finished vehicle logistics department employees (mean=3,96) exhibits more organizational identification than finance department employees (mean=2,86).

Furthermore, there was a difference in the ethical climate perceptions of employees in terms of education level.

5. CONCLUSION

This study indicates a relationship between an ethical work climate and organizational identification. First, how many of nine theoretical ethical climates exist within the organization was analyzed. Organizations may have combinations of ethical climate types and/or may have emerged individually. In this study three types of ethical climates emerged from the sample.

The first type, "Law and Rules Ethical Climate", includes efficiency, social responsibility, Company Rules and Procedures, Law and Professional Codes. The second type, titled "Caring Ethical Climate" includes friendship, team interest climates, company rules and procedures. The third type "Independence Ethical Climate" was only formed of personal morality. In this organization the predominant type of ethical climate is Law and Rules Ethical Climate, followed by Caring and Independence.

The results indicate that "Law and rules" and "Caring" ethical climates have significant positive effects on organizational identification. Independence has no mutual relationship with organizational identification. Based on these results leaders can influence the identification of employees by assuring that the organization has law & rules and caring ethical climates. Constructing, developing and maintaining a suitable ethical climate seems a must to increase organizational identification in order to gain benefits. Managers need to emphasize the significance of efficiency and set their target in order to achieve it. Accordingly, employees will make an effort to increase their personal efficiency. Furthermore, it is important to note that friendship among the employees and team spirit are important aspects. Organizations need to take a lead with their employees in order to improve the organizational prestige and image in the eyes of customers and society in general. Based on the result of the survey this company already has policies in regard to ethical behavior and accepted professional norms and principles. Employees are expected to strictly follow legal or professional standards and unethical behavior is not tolerated. In order to promote organizational identification managers should set goals and determine strategies that comply with efficiency, friendship, team interest, social responsibility, company rules and procedures, law and Professional codes. It is important to understand what leads employees to identify more or less with the organization and realize the positive consequences of identification that increase job satisfaction, creativity and entrepreneurial behavior. Based on these successful outcomes organizations may have a better chance at surviving in the highly challenging marketplace.

Since this study was the first to analyze the relationship between these two areas in a global logistics company operating in Turkey, future research needs to be undertaken in order to confirm these results. This study was applied to one company excluding blue-collar workers, future research may be conducted across more companies/different sectors and includ all employees. The sample size was limited and could be enlarged. Also future studies could expand the model and analyze other variables.

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