Exploring the relationship between ethical climate, reputation and corporate identity (case study of Yazd Governor Employees)

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Abstract

Purpose: Ethical behavior and moral values are very important issues that are related to ethics business in many studies. Bases of all values are moral values. The purpose of this study is to explore the relationship between ethical climate, reputation and corporate identity in Yazd Governor.

Methods: In this functional study, 283 cases of Yazd Governor Employees are involved in 2014. Volume of sample is 162 and was determined based on Cochran formula. Sampling was random. Data collection were used by survey method and a standard questionnaire of Victor is employed to assess the dimensions of ethical climate, Annette (2006) for the evaluation of corporate identity and Fombrun and Van Riel, 2003 for the detection of corporate reputation. Statistical analysis used Spss Software. In this study, the dependent variables were reputation and corporate identity; and the independent variable was ethical climate.

Results: All of hypotheses of this research were confirmed since results showed there were significant relationship between ethical climate and corporate identity and reputation. In other words, whenever ethics climate spreads in the organization, the identity and reputation of the employee and in the next step identity and reputation of the organization are promoted.

Conclusion: The findings of our study can help managers to identify weaknesses and strengths of ethical climate in organizations. Moreover it can improve ethical behaviors and desires in order to effect its part in improving the performance if employee and the organizations.

Keywords: ethical climate, corporate reputation, corporate identity.
1-Introduction

The organization requires strengthening the organizational identification as it believes that identification has positive effects on employee’s performance. Thus, organizational identification becomes an important variable for organization strategic competitive advantage. Understanding the concept of identification provides many advantages to the corporate performance of organization. It is significant to display the identification variables which provide the integration of employees with organizational values, goals, etc. It is also important to determine their effects on organization (DeConinck, 2011). One of these variables is corporate reputation.

The literature shows that improving corporate reputation will have positive effects on organizational identification (Puusa, 2006). Members may feel proud of being part of a well-respected company as it strengthens their feelings of self-worth and glory (Schwepker, 2005). In addition to corporate reputation, we assume that ethical climate has moderating effects on the relationship between corporate reputation and identification. The presence of ethical code provides a set of rules or principles that must be followed, and non-compliance can result in, among other actions, expulsion from the association (Appelbaum, 2005). In this context, the study begins with a literature review of ethical climate, corporate reputation and organizational identification; then goes on to the development of hypothesis. We test the hypothesis whether perceived corporate reputation strengths identification. Furthermore, we hypothesize that ethical climate moderates the impact of corporate reputation on organizational identification. Research methodology, analyses results and research model is discussed in the second part/section. In the last section, the results of the analyses are discussed and recommendation is provided for managers and academicians.

2-Theoretical Background

2-1. Ethical climate

Ethical climate contains cues that guide employee’s behavior and reflect the ethical character of the organization (Victor, 1987). It can also be described as a type of work climate that reflects organizational policies, procedures, and practices that have moral consequences (Ramsey, 2007). Organizational leaders play a role in shaping ethical climate by both stating and implementing ethical policies and practices (Gbadamosi, 2004). Instrumental leaders initiate structure and provide specific directions to employees by allocating tasks, establishing procedures, setting expectations, and giving rewards (Brower, 2000). When leaders develop ethical guidelines, communicate expectations, and establish consequences of violating
organizational norms, employees are more likely to comply with ethical expectations. Leaders are perceived by employees as role models who set norms and expectations for appropriate conduct (Bullock, 2003).

Victor and Cullen (1987) defined organizational ethical climate as the shared perceptions of what ethically correct behavior is, and how ethical issues should be handled. Their study is based on Schneider's (1975) argument that various types of climates can exist in a single organization. Thus, ethical climate is considered as one of the dimension of organization climate. In addition, most of the research results also indicate the importance of measuring ethical climate from a multi-dimensional perspective (DeConinck, 2011).

According to Victor and Cullen (1988) ethical climate of an organization are described in terms of the perceptions of organizational members as to organizational practices and procedures that define what is considered right or wrong within the organization. They believe that organizations are social actors responsible for the ethical or unethical behaviors of their employees. Based on the moral development research of Kohlberg (1981), employees use different types of ethical criteria, and display different types of moral reasoning. Kohlberg categorized ethical climates into three dimensions; egoism, benevolence, and principle and level of analysis as individual, local, cosmopolitan. Egoism refers to the maximization of personal interests while benevolence seeks maximum pleasure and/or less inconvenience for an organization as a whole and principle places greatest emphasis on duty founded upon laws, rules, norms and policies. Cross-classification of these dimensions reveals nine ethical climate types. However, in relevant literature, many studies merged friendship and team interest as caring (Victor and Cullen, 1987-1988; Cullen, Victor, and Bronson, 1993), and self-interest and company interest as instrumental based on their results (Victor and Cullen, 1988; Brower and Shrader, 2000).

2.2 Organizational Identification

Organizational identity is generally described as what members think or believe about their organization, and has received an increased amount of research attention in recent years (Puusa, 2006). According to Reade, organizational identity may encompass numerous traits, including “company ethos, activities, quality, market position, location, geographical scope, organization type, structure, process, and culture” (2001, p. 888). Organizational identity is influenced by factors internal to an organization, such as members’ workplace experiences, and factors external to an organization, such as its image in the eye of external constituencies (Pruzan 2001). As boundary-spanning employees, salespeople foster relationships with both internal (e.g., management) and external (e.g., customers) organizational stakeholders. With direct access
to information from these external groups, sales people are able to develop a deeper understanding of how the company compares to competing firms than most other organizational members (Miller 2000), since the traits encompassed by organizational identity may be revealed more easily by making comparisons to other organizations (Pruzan, 2001).

Some of the constructive outcomes both for organizations and for employees associated with organizational identification can be listed as; increased motivation, performing beyond the tasks (Reade, 2001), organizational citizenship behavior, the internalization of organizational norms and practices (Miller, 2000), willingness to cooperate with others (Van Dick, 2007), low turnover intentions (Cole and Brunch, 2006), job satisfaction and extra-role (Holzinger, 2007), and satisfaction of some individual needs such as the needs for safety, affiliation, self enhancement and meaning in one’s life (Pratt, 1998).

2-3 Corporate Reputation

The following survey on the effects of corporate reputation suffers from the fact that the studies analyzed are not based on identical conceptualizations of the reputation construct. Empirical research refers to Fortune’s Most Admired Companies or to the Reputation Quotient offered by the Reputation Institute (Kitchen, 2003). However, basically, the categories measured are the same in both concepts. So it makes sense to gather information on the impact of a strong reputation. Nevertheless, from a philosophical point of view, we cannot know whether a strong reputation is caused by the given fact, or if it is just the other way round. Strong corporate reputation helps winning the war for talents, and fosters employee retention (Fombrun, 2000 and Gray, 2006). In this context, Stigler also mentions decreasing production costs per unit. With respect to customers, researchers found that a strong corporate reputation increases customers’ confidence in products and services, advertising claims and in the buying decision (Brown, 2010). Via better customer retention, firms can achieve price premiums and higher purchase rates. Taking into consideration that companies showing strong reputation have better access to capital markets, which decreases capital costs and lowers procurement rates (Unerman, 2008), it is obvious that a company’s profitability ceteris paribus grows with a better reputation.

According to Pruzan (2001), there are two perspectives of corporate reputation. First one is pragmatic perspective, in which protecting and improving corporate reputation is perceived as a necessary condition for maintaining the corporation's license to operate and harmonious relationships with its many stakeholders and, most importantly for competitive economic performance. In contrast, the reflective perspective on reputation primarily mirrors an organizational-existential concern which arises with the existential questions dealing not with superficial appearances but with identity, integrity, accountability and fundamental purpose.
(Brammer, 2005). The distinction between pragmatic and reflective perspective is that the first is primarily external in its orientation and deals with corporate image, while the other is primarily internal and deals with corporate identity and integrity (Márquez, 2005). In today’s competitive nature of business, the two perspectives on corporate reputation need not be in opposition to each other so as to enable an improved and more inclusive depiction of the corporation and its performance.

Based on this point of view, it is accurate and reasonable to understand corporate reputation as a multidimensional concept. It became evident with the study of Fombrun et al. (2000) that there are six dimensions of corporate reputation; emotional appeal, products and services, vision and leadership, workplace environment, social and environmental responsibility and financial performance.

3-Research method

The survey of this study was conducted on employees of a Governor of Yazd. Data related to the ethical climate, corporate reputation and organizational identification were obtained directly from the employees of the firm through the questionnaires, which means that primary source data were used in the research. The firm has 228 employees throughout the country. All these employees were contacted via email with the help of the human resources department and asked to participate in the survey. A total of 214 questionnaires were returned, so the return rate of the research was %94. However, 48 of them were not usable, so 166 questionnaires were used in analysis (n=166). Data obtained from questionnaires was analyzed through the SPSS statistical packet software (v.18) and proposed relations were tested through hierarchical regression analyses.

In this study, we used three different surveys mentioned below to measure our three variables determined as perceived corporate reputation, ethical climate and organizational identification. All the items in the questionnaire were accompanied by a 5-point rating scales (1: Strongly Disagree - 5: Strongly Agree). The Reputation Quotient developed by Fumberan (2000) consisted of 20 items. The Ethical Climate Questionnaire (Victor and Cullen, 1993) consisted of 36 items with four items for each theoretical dimension of ethical climate, and The Organizational Identification Scale developed by Annette (2006) with 25 items was used.

4. Findings of the Analysis of Research

The demographic questions were related to the participants' sex, age, educational level, position (manager and workers) of the study participants. 87.5 % were male and 12.5 % were
female. The participants had a mean of 36.6 years old, the median was 37, and the mode was 35. 43.2% of the participants had an undergraduate degree, 12.3% participants had a post graduate degree. As seen in Table 1, there is a strong positive relationship between perceived corporate reputation and organizational identification and ethical climate dimension.

Table 1. Correlation between variables

<table>
<thead>
<tr>
<th>Variable</th>
<th>Organizational Identification</th>
<th>Corporate Reputation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest and willingness to work</td>
<td>correlation 0.70</td>
<td>correlation 0.86</td>
</tr>
<tr>
<td>Healthy relationships</td>
<td>correlation 0.21</td>
<td>correlation 0.97</td>
</tr>
<tr>
<td>Perseverance and seriousness work</td>
<td>correlation 0.52</td>
<td>correlation 0.28</td>
</tr>
<tr>
<td>Collective morale and participation in work</td>
<td>correlation 0.38</td>
<td>correlation 0.25</td>
</tr>
</tbody>
</table>

Table 2. Results of Multiple Linear Regression Analysis

<table>
<thead>
<tr>
<th>Model</th>
<th>Std Coefficients</th>
<th>Standardized Coefficients</th>
<th>Unstandardized Coefficients</th>
<th>p.value</th>
</tr>
</thead>
<tbody>
<tr>
<td>(Constant)</td>
<td>1.276 2.914</td>
<td>3.292 0.000</td>
<td>0.761</td>
<td></td>
</tr>
<tr>
<td>Interest and willingness to work</td>
<td>3.20 0.83</td>
<td>0.76 0.002</td>
<td>5.14</td>
<td></td>
</tr>
</tbody>
</table>
Standardized regression coefficients are highly significant in exploration and in the validation sample. Moreover, they are of similar magnitude, so we may assume very stable results. Goodness-of-fit measures show satisfying values for ethical climate dimension, and organizational identification.

<table>
<thead>
<tr>
<th></th>
<th>Model</th>
<th>Standardized Coefficients</th>
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<th>P value</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>(Constant)</td>
<td>B</td>
<td>St d. Error</td>
<td>Beta</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Interest and willingness to work</td>
<td>3</td>
<td></td>
<td>0.2</td>
<td>0.0132</td>
</tr>
<tr>
<td></td>
<td></td>
<td>79.0</td>
<td>83</td>
<td>.354</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.932</td>
</tr>
<tr>
<td>Healthy relationships</td>
<td>1</td>
<td></td>
<td>0.2</td>
<td>0.54</td>
</tr>
<tr>
<td></td>
<td></td>
<td>.002</td>
<td>43</td>
<td>.002</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.810</td>
</tr>
<tr>
<td>Perseverance and seriousness work</td>
<td>1</td>
<td></td>
<td>0.1</td>
<td>0.62</td>
</tr>
<tr>
<td></td>
<td></td>
<td>.345</td>
<td>50</td>
<td>.140</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td>.541</td>
</tr>
<tr>
<td>Collective morale and participation in work</td>
<td>3</td>
<td></td>
<td>0.3</td>
<td>0.81</td>
</tr>
<tr>
<td></td>
<td></td>
<td>.582</td>
<td>04</td>
<td>.008</td>
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<tr>
<td></td>
<td></td>
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<td></td>
<td>.497</td>
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</tbody>
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Standardized regression coefficients are highly significant in exploration and in the validation sample. Moreover, they are of similar magnitude; so we may assume very stable results. Goodness-of-fit measures show satisfying values for ethical climate dimension, and organizational identification.
results. Goodness-of-fit measures show satisfying values for ethical climate dimension, and corporate reputation

**Discussion and conclusions**

This study indicates the relationship among perceived corporate reputation, ethical climate and organizational identification. The results showed that having an ethical climate in a company does influence the degree to the effect of perceived corporate reputation on organizational identification. In other words, it can be asserted that ethical climate has a significant moderating role on the relationship between perceived corporate reputation and organizational identification. Ethical climate is one of the main factors shaping of inter-organizational relationships and attitudes of staff that have a significant effect on organizational. Organizational performance will improve by got to trust between employees and managers, increase employee commitment and consequently following and adherence to ethical principles. In this way, they can contribute to the identity and reputation of the organization.

The first result of the study is that a significant relationship was observed between work enthusiasm and corporate reputation. This means that the interest and enthusiasm of employees will increase as well as the reputation of the organization. So, the first hypothesis is fully supported. A finding of the present study is consistent with Weeks (2004) and Shafer (2013) study. Also, the second hypothesis showed that there is a significant relationship between corporate reputation and healthy human relations in the workplace. Employees play important role through this relationship and learn how to attract the agency, become familiar with the norms and standards and learn appropriate reputation. The finding of this section is consistent with Goldberg, 2010 and Kostova 2002. Significant relationship between persistence, seriousness of the work and corporate reputation illustrated seriousness and dynamism of employees in assignments and customer respect would enhance the corporate reputation. Findings of Gray, 2006 confirmed our hypothesis. Significant relationship between collective attitude and participation in work is showed. The most striking result of this study is confirming the fact of obtaining statistical significance between the dimensions of ethical climate including interest and enthusiasm of employees, healthy human relations in the workplace, persistence and seriousness of the work, and collective attitude and participation in work with corporate identity. The results of this study indicated that ethical climate among employees of Yazd Governor can increase organizational identity through high professional commitment and dependence to work, internal communication among employees within the framework of normal relations and humanity, the dynamics and seriousness of the employees and also participation view(Valackiene,2009. Holzinger, 2007. Edwards, 2007).
Overall, this study expands the understanding of ethical climate and its relationship with corporate reputation and organizational identification by pointing out that having an ethical climate can ensure positive outcomes for companies. However, the study was limited in scope given the size of sample. Future studies could expand the sample size or analyze different variables to better generalize the findings.
References


