ETHICAL CLIMATES AND ORGANIZATIONAL COMMITMENT: A CASE OF NGOs OPERATING IN PAKISTAN

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ABSTRACT

The study is focused on finding the relationship between different dimensions of ethical climate and organizational commitment of the employees working in NGOs operating in Pakistan. To test the hypotheses of the study, the primary data of 317 respondents was collected through an adopted questionnaire for which representatives of the researchers personally visited the employees working in different NGOs. SPSS was used for data analyses and hypotheses were tested through stepwise multiple hierarchical regression analysis. Based on data analysis, study found that principle and benevolent ethical climates have a significant and positive relationship with organizational commitment while egoistic ethical climate indicated an insignificant relationship with organizational commitment. Thus, by establishing principle and benevolent type of ethical climate, it emerged organizational commitment of employees working in NGOs can be enhanced. The study has some limitations including the cross-sectional design and geographical coverage. The cross-sectional design limited the results to a specific time, while data was collected from Lahore and Islamabad only as a result of geographical limitation compromising the generalizability of the results.

1. INTRODUCTION

1.1 Broad and Specific Area of the Research

Government is responsible to take care of national interests and well-being of the general public (Panjaitan, Sumartono, Sarwono, & Saleh, 2019). At the same time, Non-Government Organizations (NGOs) also play their role to serve the masses and are working irrespective of any greed of financial or non-financial gains. Due to this, they are widely known as non-profit organizations (Ghani & Ghani, 2021). The main source of financial resources to bear all of the expenses is the charity collected from the general public (from different countries), national or international organizations, etc. The operation of such organizations is based on ethical standards that drive these organizations to work in the best interest of those who did or, in most cases, who didn’t provide financial resources to run their operations. These ethical standards lead to establishing an ethical climate in an organization. Apropos, the relationship between ethical climate and commitment of members of an organization towards achieving its goal becomes the core interest of the researchers. Whereas, commitment of employees towards the organization leads to putting best of their efforts for achieving organizational goals, which is to serve those who are ‘have-nots’ (Ghani & Ghani, 2021). Moreover, organizational climate has substantial relationship with commitment toward job of the employees, working in non-profit organizations (Mishra & Tikora, 2021).

1.2 Purpose of the Research

The purpose of this research was to understand the possible relationship between different types of ethical climates viz. egoistic, benevolence, and principle with organizational commitment of the employees of national and international NGOs operating in Pakistan.
1.3 Research Gap and Motivation of the Study

The perception and response of employees towards ethical climate is different in non-profit organizations as compared to profit-making organizations (Laratta, 2009). Moreover, the perception is also linked to the type (positive or negative) of attitude or behaviour. For instance, Zhang and Sun (2020) studied that ethical climates reduces or leads to eliminate the factors impeding the desired behaviour. In addition to this, the study conducted by Olafsen, Nilsen, Smedsrud and Kamaric (2020) studied that the relationship of contextual factors with individual factors help in devising the better policies / effective decisions. The study conducted by Ayodele, Ekode, Oladokun and Kajimo-Shakantu (2020) recommended a study to understand the possible relationship between organizational attributes and Organizational Commitment (OC) of the employees. Thus, studying the relationship of different types / facets of ethical climate as organizational attributes with OC is as per the recommendations of the past studies, including but not limited to Ayodele et al., (2020) and Olafsen et al. (2020). Based on literature review, it can be observed that dearth of studies understanding the relationship of OC and Ethical Climates (EC) in NGOs, especially with reference to developing countries have been conducted.

1.4 Significance of the Research

The present research will be significantly important for understanding the possible relationship between different types of EC and OC with special reference to the employees working in NGOs operating in Pakistan. Academic significance can be obtained by understanding the differences in the relationship of different kinds of EC with OC of the employees working in NGOs as compared to profit making, public or private organizations. According to Turner and Hulme (1997), there are three sectors of an economy including public, private, and third sector, where the third sector includes NGOs, civil sectors, etc, which are also known as non-profit organizations. Out of the third sector, study is limited to NGOs only. The research will be helpful for the management of NGOs to enhance OC of their members by developing an EC having a significant and positive relationship with OC.

From this point onward, the paper has been structured in the way that first understanding of the dependent variable (organizational commitment) and independent variables (ethical climate and its facets) and their possible relationships have been hypothesized. After a thorough literature review and hypotheses development, the methods have been written including research design, population, sample, sampling technique, and instrumentation. Based on collected data, analysis and hypotheses testing was performed and followed by discussion and conclusion. The limitations and suggestions are also highlighted to understand the implications of the study and suggesting future guidelines for conduct of further studies to fill the gaps observed through this research.

2. REVIEW OF LITERATURE AND HYPOTHESES DEVELOPMENT

2.1 Organizational Commitment

Organizational Commitment (OC) is a relative term that measures the strength of identification and involvement in one’s organization. Which includes:

i) One’s strong belief and acceptance of goals and values of organization

ii) One’s willingness to put maximum effort to achieve organizational goals

iii) One’s higher level of intention to retain membership with the organization (Mowday, Steers, & Porter, 1979).

OC has a positive and significant relationship with compensation practices (Sial, Jilani, Imran, & Zaheer, 2011) and sharing resources, especially intellectual, with other employees of the same organization (Chang, Liao, Lee, & Lo, 2013). For NGOs, training and development and empowerment of employees are positively and significantly related to OC (Mukhtar, Sial, Imran, & Jilani, 2012). The factors like organizational culture, cross cultural adjustment and supervisor’s trust have significant relationship with OC of the employees (Dang, Vu, & Nguyen, 2020). Whereas, performance appraisal or assessments have insignificant relationship with OC of the individuals (Mukhtar et al., 2012). Mukhtar et al., (2012) studied that in NGOs working in Pakistan, OC is significantly related to organizational citizenship behaviour (OCB) and plays a mediating role in the relationship between different HR practices and OCB. The relationship of OC with OCB is also supported by Chang et al. (2013). The mediating role of OC for the relationship of Principle Ethical Climate (PEC) and Benevolence Ethical Climate (BEC) with tacit knowledge sharing behaviour indicates that it can be an important factor to link behaviour of the employees with different types of ethical climates (Sial, Rathore, & Khan, 2019). Based on the foregone understanding of OC, the upcoming section will discuss about EC and its facets. The hypotheses then will be postulated accordingly.
2.2 Ethical Climate

According to the seminal work of Victor and Cullen (1988), the EC at organizations is formed in response to the existing ethical contents in practices and procedures being adopted by organizations. The EC is multi-facet and multi-purpose, where each dimension is different from the other one (Victor & Cullen, 1988). Organizations are social entities while ethical or unethical behaviour of employees depends upon the social context of organizations (Arnaud, 2010; Victor & Cullen, 1988) and EC derives from the attitude as well as the behaviour of individuals (Lawter, Rua, & Guo, 2014). By ensuring an EC, organizations can increase their reputation in the eyes of employees as well as the general public (Oncer & Yildiz, 2012) which last for the long term (Lemmergaard & Lauridsen, 2008). There are three types of EC viz. egoism, benevolence, and principle (Victor & Cullen, 1988). Based on a meta-analysis, Arora and Nuseir (2012) studied that depending upon the type and kind of climate, either it can have a positive or negative relationship with OC and certainly have urged the researchers to study the relationship. Firstly, it led to understanding the different types of ethical climates, secondly, studying their possible relationship with OC.

2.2.1 Egoistic Ethical Climate

Egoism type of climate is based on giving first place to self needs and preferences (Victor & Cullen, 1988). It is self-centred or self-interest type of climate and led to cause negative behaviour, like workplace bullying (Liu, 2020). It leads to the behaviours which fulfil the self-interests or maximizing the self-interests (Martin & Cullen, 2006). Egoistic Ethical Climate (EEC) has an association with outcomes that are considered to be negative (Simha & Stachowicz-Stanusch, 2015). For instance, Simha and Stachowicz-Stanusch (2015) found that EEC has a negative relationship with trust on supervisor and organization as well. The reason behind such negative association is the thinking of employees that the organization’s focus is on self-interests while neglecting their well-being (Simha & Stachowicz-Stanusch, 2015; Tsai & Huang, 2008). After going through these understandings, the following hypothesis has been developed:

H1: Egoistic ethical climate has a negative and significant relationship with the organizational commitment of the employee working in NGOs working in Pakistan.

2.2.2 Benevolence Ethical Climate

Benevolence type of ethical climate leads to driving individuals towards considering others irrespective of whether they belong to the same organization or otherwise. For instance, friendship and reciprocity (Martin & Cullen, 2006; Victor & Cullen, 1988). In such a type of ethical climate, the results and outcomes determine the ethicality of the actions (Lemmergaard & Lauridsen, 2008). Contrary to EEC, benevolence ethical climate (BEC) is associated with the positive outcomes (Simha & Stachowicz-Stanusch, 2015; Tsai & Huang, 2008) such as trust in supervisor and organization (Simha & Stachowicz-Stanusch, 2015) and organizational identification (Oncer & Yildiz, 2012). Such kinds of ethical climates reflect the social responsibilities (Liu, 2020). Thus, the following hypothesis has been formulated.

H2: Benevolence ethical climate has a positive and significant relationship with the organizational commitment of the employees working in NGOs working in Pakistan.

2.2.3 Principle Ethical Climate

Principle type of ethical climate is based on selecting guidelines by individuals and this selection depends upon the ethical nature of individuals (Lemmergaard & Lauridsen, 2008; Victor & Cullen, 1988). Means and intentions to do a job indicate the existence or absence of such type of ethical climate (Lemmergaard & Lauridsen, 2008). Such type of ethical climate puts others in first place rather one’s own (Martin & Cullen, 2006). Whereas, the source of principles is from within the organization, e.g. existing rules and regulations of the organization (Tsai & Huang, 2008; Victor & Cullen, 1988). Like BEC, principle ethical climate (PEC) is positively associated with variables having positive connotations including trust on supervisor and trust on the organization (Simha & Stachowicz-Stanusch, 2015) and organizational identification (Oncer & Yildiz, 2012). Self-regulated, self-disciplined and intention to follow the rules and regulations of the firm are the characteristics of such types of ethical climate (Liu, 2020). Based on foregone understandings following hypothesis has been poised.

H3: For employees working in NGOs operating in Pakistan, the relationship between principle ethical climate and organizational commitment is positive and significant.
2.3 Schematic Diagram

The schematic diagram of the studied model given in Figure 1, indicates that egoistic ethical climate, benevolence ethical climate and principle ethical climate are independent variables. Whereas, organizational commitment is the dependent variable.

3. RESEARCH METHODS

3.1 Population

All employees working in NGOs (local & international) operating in Lahore (the second largest and economic hub of province Punjab) and Islamabad (the capital city of Pakistan) constitute the population of this research.

3.2 Sampling Technique and Sample Size

A sample size of 405 employees working in different NGOs was selected through simple random sampling, which is one of the probability sampling techniques. For this, the list of total population of 3120 employees was maintained with their pseudo names and serial number. The sample of 13% of the total population were randomly selected by using excel sheet.

3.3 Research Design

The research was conducted based on the philosophy of formal and ex post facto research design. Formal, because it was conducted based on the factors already explored and recommended by the previous studies and ex post facto because the researcher was not having any control on the variables of the study (Cooper & Schindler, 2014). Moreover, it was also field study type research with no modification in daily routine of the respondents. Furthermore, the research followed the cross-sectional design and data was collected once only.

3.4 Instrumentation

The data was collected through a questionnaire which was developed based on adopted scales for ethical climates and OC. For organizational commitment, an eight items scale developed by Porter, Steers, Mowday and Boulian (1974) was used. Whereas, different dimensions of ethical climate were measured by using a fourteen items scale developed by Victor & Cullen (1988).

3.5 Data Collection

All employees with the titles of the driver, sanitary workers, cook, office boy, attendant, gardener, and employees of all outsourced operations were not part of this study. The managers and non-managerial position holders who were part of the main operation of the organizations were included in the study. The pencil and paper type technique was used for data collection and the representative of the authors personally visited and collected the data from the respondents. The data collection was completed in 45 working days. The data obtained from 317 employees was used for hypotheses testing. Rest responses were either partially filled or not returned, thus excluded from the study. Resultantly, rate of return was remained 78.27 percent.

The demographical distribution of the data is presented in Table 1 which epitomise that sample covered different dimensions of the population and is representative of it.
Table 1
Frequency Distribution of Demographics of Respondent

<table>
<thead>
<tr>
<th></th>
<th>f</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>177</td>
<td>56</td>
</tr>
<tr>
<td>Female</td>
<td>140</td>
<td>44</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>317</td>
<td>100</td>
</tr>
<tr>
<td><strong>Education</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Bachelors</td>
<td>51</td>
<td>16</td>
</tr>
<tr>
<td>Master</td>
<td>199</td>
<td>63</td>
</tr>
<tr>
<td>M. Phil</td>
<td>54</td>
<td>17</td>
</tr>
<tr>
<td>Ph. D.</td>
<td>13</td>
<td>4</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>317</td>
<td>100</td>
</tr>
<tr>
<td><strong>Age</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 20 Years</td>
<td>4</td>
<td>1</td>
</tr>
<tr>
<td>21-30 Years</td>
<td>167</td>
<td>53</td>
</tr>
<tr>
<td>31-40 Years</td>
<td>99</td>
<td>31</td>
</tr>
<tr>
<td>41-50 Years</td>
<td>44</td>
<td>14</td>
</tr>
<tr>
<td>51-60 Years</td>
<td>3</td>
<td>1</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>317</td>
<td>100</td>
</tr>
</tbody>
</table>

Referring Table 1, frequency distribution of respondents, from a total sample of 317 respondents, approximately 56% (N = 177) of the respondents were male and 44% (140) female. Majority, i.e. approximately 63% (N = 199) of the respondents were having 16 years of education i.e. Master’s degree. Whereas, approximately 21% i.e. 67 respondents were post-graduate (M. Phil = 54 and Ph. D. = 13). Rest about 16% (N = 51) respondents were having Bachelor degree. The majority of the respondents were belonging to the age group of 21 to 30 years, i.e., N = 167, approximately 53%. Whereas only 3 of the respondents were between 51 and 60 years and 4 were below 20 years of age.

4. DATA ANALYSIS

This part of the paper comprises of testing the proposed hypotheses based on primary data collected from employees working in NGOs operating in Pakistan. First of all, descriptive statistics was applied to understand the distribution and reliability of the data. Then inferential statistics have been applied which include correlational analysis and stepwise multiple hierarchical regression analysis. Tables containing relevant information and interpretation of each have been described as under:

Table 2
Correlation, Descriptive Statistics and Reliability

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>S. D</th>
<th>EEC</th>
<th>BEC</th>
<th>PEC</th>
<th>OC</th>
</tr>
</thead>
<tbody>
<tr>
<td>EEC</td>
<td>3.75</td>
<td>.62</td>
<td>.70</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>BEC</td>
<td>3.76</td>
<td>.64</td>
<td>.217**</td>
<td>.84</td>
<td></td>
<td></td>
</tr>
<tr>
<td>PEC</td>
<td>4.08</td>
<td>.70</td>
<td>.481**</td>
<td>.551**</td>
<td>.88</td>
<td></td>
</tr>
<tr>
<td>OC</td>
<td>3.90</td>
<td>.55</td>
<td>.265**</td>
<td>.614**</td>
<td>.589**</td>
<td>.86</td>
</tr>
</tbody>
</table>

** Correlation is significant at the 0.01 level (1-tailed). Cronbach’s alpha values are given in parenthesis

For correlational analysis, the Pearson’s correlation coefficient was calculated. Table 2 shows that EEC, BEC, PEC, and OC are having positive association with each other. Moreover, Cronbach’s alpha was calculated to test the internal reliability of the scale and according to Nunnally (1978), the scale will be reliable if Cronbach’s alpha ≥ .7, and from Table 2 it can be concluded that data was reliable to test the proposed hypotheses. Table 2 also presents the mean and standard deviation (S.D) of the responses against each variable from which it can be observed that the majority of the respondents agreed or strongly agree with the statements measuring EEC, PEC, BEC, and OC.

Table 3
Model Summary

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R²</th>
<th>Adjusted R²</th>
<th>Std. Error of the Estimate</th>
<th>R² Change</th>
<th>Change Statistics</th>
<th>Durbin-Watson</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>.614*</td>
<td>.376</td>
<td>.374</td>
<td>.43610</td>
<td>.376</td>
<td>190.120</td>
<td>1.315</td>
</tr>
<tr>
<td>2</td>
<td>.684b</td>
<td>.467</td>
<td>.464</td>
<td>.40375</td>
<td>.091</td>
<td>53.504</td>
<td>1.314</td>
</tr>
</tbody>
</table>

a. Predictors: (Constant), BEC; b. Predictors: (Constant), BEC, PEC; c. Dependent Variable: OC
Referring to Table 3, it is learned that both the models were found significant but model 2 is the preferred model with adjusted $R^2=.467$ and $R^2$ change $= 9.1\%$ which means 46.7\% variation in OC is caused by BEC and PEC. Whereas, the rest of the 53.3\% variation in OC is caused by other factors which were not the part of the preferred model i.e. model 2.

**Table 4**

*Coefficient of Variables*

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>Correlations</th>
<th>Collinearity Statistics</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$\beta$</td>
<td>Std. Error</td>
<td>$\beta$</td>
<td>t</td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>1.939</td>
<td>.145</td>
<td>13.408</td>
</tr>
<tr>
<td></td>
<td>BEC</td>
<td>.522</td>
<td>.038</td>
<td>.614</td>
</tr>
<tr>
<td>2</td>
<td>(Constant)</td>
<td>1.425</td>
<td>.151</td>
<td>9.429</td>
</tr>
<tr>
<td></td>
<td>BEC</td>
<td>.353</td>
<td>.042</td>
<td>.415</td>
</tr>
<tr>
<td></td>
<td>PEC</td>
<td>.282</td>
<td>.039</td>
<td>.361</td>
</tr>
</tbody>
</table>

a. Dependent Variable: OC; b. The values with $p > .05$ for EEC and OC are not provided in the table

From Table 4, the values for tolerance i.e. lesser than one but greater than .02, and VIF i.e. lesser than 10, it can be determined that there is no multicollinearity among the independent variables (Darlington & Hayes, 2017; Hair, Black, Babin, & Anderson, 2017). It is concluded that BEC and PEC have a significant relationship with OC at $p \leq 0.01$ and from $\beta = .415$ for BEC and $\beta = .361$ for PEC it is concluded that these two types of ethical climates have a positive relationship with the OC of the employees working in NGOs operating in Pakistan. Referring to Table 2, the relationship of PEC and BEC with OC was also found significant and positive with OC. Whereas, regression analysis indicates that the relationship between EEC and OC was found insignificant at $p \geq 0.05$.

It is therefore concluded that hypothesis 2 that is, “benevolence ethical climate has a positive and significant relationship with the organizational commitment of the employees working in NGOs working in Pakistan” and hypothesis 3, i.e for employees working in NGOs operating in Pakistan, the relationship between principle ethical climate and organizational commitment is positive and significant, were supported by the data. Whereas, the hypothesis 1 indicating the negative and significant relationship between EEC and OC of the employees working in NGOs operating in Pakistan, is not supported by the data.

5. DISCUSSION

As discussed in literature review, the EEC is based on the concept of self-centric. The NGOs work to serve the public at large and all decisions lead to serve the interests of the public rather than self-interests. Thus, the finding that EEC has an insignificant relationship with OC of the employees working in NGOs found in line with the results of different studies (Martin & Cullen, 2006; Sial et al., 2019; Simha & Stachowicz-Stanusch, 2015; Tsai & Huang, 2008; Victor & Cullen, 1988). Whereas, data shows that PEC and BEC are the two ethical climates which are having a positive and significant relationship with OC and the finding is justified based on the understanding that these ethical climates have a significant and positive relationship with positive aspects of the job or organization. This relationship has been supported by different past studies (Laratta, 2010; Martin & Cullen, 2006; Oncer & Yıldız, 2012; Sial et al., 2019; Liu, 2020; Simha & Stachowicz-Stanusch, 2015; Tsai & Huang, 2008; Victor & Cullen, 1988) and is also supported by the study conducted by Mishra and Tikoria (2021), who studied that organizational climate has significant relationship with job commitment of the employees working in non-profit organizations.

6. CONCLUSION

From past literature and hypotheses testing, it is concluded that managers and decision- makers of third sector (NGOs and Civil Sector) can improve the OC of their employees by ensuring the establishment of a PEC and BEC. The PEC leads employees to work based on rules and regulations set by religion, society, or third sector safeguarding the interests of all and does not create or increase the gap between haves and have-nots. Whereas BEC is based on the notion of keeping in view the interests of others, thus, leads to eliminating the curse of greed and build harmony and trust among all stakeholders. Thus, it can be concluded that there can be a remarkable increase in OC of employees working in third sector (NGOs) by promoting PEC and BEC and avoiding EEC. Keeping in view the findings of Olafsen et al. (2020) and Liu (2020), the substantial relationship of contextual factors (PEC and BEC) with OC of the employees can be of practical importance to the management and decision makers. For instance, by developing such
kinds of EC the commitment of the employees working in NGOs can be enhanced and overall benefits associated with their OC can be reaped.

7. LIMITATIONS AND SUGGESTIONS

The study has some limitations based on the paucity of time, resources, and research design selected to conduct it. For instance, the impact of rules and regulations of the government, political involvement in decision making, an image of NGOs in the eyes of the general public, and influence of donors cannot be neglected and were not a part of this study. The employees’ involvement, HR policies/practices are also the factors affecting the OC of the employees. The image of NGOs is very negative in some areas of Pakistan including Baluchistan, Sindh, KP, and Southern Punjab, and the reasons are required to be studied. It is also observed that the top tire of different NGOs may be interviewed or studied to get better insight into the factors deciding the directions and goals of NGOs. Moreover, who are the donor agencies or sources of finance, their likely interest are also few of the important factors to decide the role and goals of NGOs or other such organizations. Future studies may be conducted to understand the role of the executives, if they are from other countries, on operations of these NGOs and the impact of donors or financial sponsors in directing the goals and operations of organizations operating in third sector.

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