

## **SURVEYING THE ROLE OF ETHICAL CLIMATE ON JOB SATISFACTION IN IRAN'S SMALL AND MEDIUM ENTERPRISES**

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### **Abstract**

The Purpose of this study is Surveying Ethical Climate on Job satisfaction in Iran's SMEs. Theoretical framework of this study is Victor and Cullen's (1988) Ethical Climate theory, and Paul E. Spector (1997) job satisfaction Survey. Data has collected from 128 managers of SMEs in East Azerbaijan Province of Iran by two standard questionnaires of study variables. Ethical Climate Questionnaire, a 26 item scale by Victor & Cullen (1988) and Job satisfaction Questionnaire, a 36 item scale Paul E. Spector, both the reliability and validity of measures has examined. Descriptive statistics has calculated for the study constructs. T-test and Pearson correlation coefficients have performed to compare means of the constructs between variables and Pearson correlation coefficients. Findings show that there is a relationship between ethical climate and Job satisfaction in Iran's SMEs.

Keywords: Ethical Climate, Job Satisfaction, Small and Medium Enterprises

## **1 INTRODUCTION**

By any measure, small and medium enterprises are critical to the economic well being of the Iran. However, defining what constitutes a small business is not without difficulty. Regardless of how small businesses are defined, they are playing an increasingly important role in the world economy [1]. They form the backbone of the private sector, make up over 90 percent of enterprises in the world, and account for 50 to 60 percent of employment. These shares are even higher in the manufacturing sector, and in developing economies, where such enterprises typically account for 90-95 percent, or more, of all industrial enterprises, 70-75 percent of industrial employment, and 50-60 percent of industrial output. The definition of SMEs varies depending on nation and region. There is little unanimity regarding the definition of SMEs in Iran. In the present study, enterprises between 10 and 49 employees are regarded as small enterprises. For developing economies SMEs often offer the only realistic prospects for increases in employment and value added. In Iran SMEs having only four percent of the total numbers of enterprises create almost 15.5 percent of national employment. But large enterprises constituting 13 percent of total enterprises contribute to 0.2 percent of national employment [2].

One of the biggest preludes to the study of job satisfaction was the Hawthorne studies. These studies (1924–1933), primarily credited to Elton Mayo of the Harvard Business School, sought to find the effects of various conditions (most notably illumination) on workers' productivity. These studies ultimately showed that novel changes in work conditions temporarily increase productivity (called the Hawthorne Effect). It was later found that this increase resulted, not from the new conditions, but from the knowledge of being observed. This finding provided strong evidence that people work for purposes other than pay, which

paved the way for researchers to investigate other factors in job satisfaction [3]. Scientific management also had a significant impact on the study of job satisfaction. Frederick Winslow Taylor's 1911 book, *Principles of Scientific Management*, argued that there was a single best way to perform any given work task. This book contributed to a change in industrial production philosophies, causing a shift from skilled labor and piecework towards the more modern of assembly lines and hourly wages. The initial use of scientific management by industries greatly increased productivity because workers were forced to work at a faster pace. However, workers became exhausted and dissatisfied, thus leaving researchers with new questions to answer regarding job satisfaction. It should also be noted that the work of W.L. Bryan, Walter Dill Scott, and Hugo Munsterberg set the tone for Taylor's work. Some argue that Maslow's hierarchy of needs theory, a motivation theory, laid the foundation for job satisfaction theory. This theory explains that people seek to satisfy five specific needs in life – physiological needs, safety needs, social needs, self-esteem needs, and self-actualization. This model served as a good basis from which early researchers could develop job satisfaction theories [3].

Job satisfaction can also be seen within the broader context of the range of issues which affect an individual's experience of work, or their quality of working life. Job satisfaction can be understood in terms of its relationships with other key factors, such as general well-being, stress at work, control at work, home-work interface, and working conditions. Although individuals might not experience a culture in their organization [4], all individuals experience a climate, that is, a behavioral context, which they can describe [5]. Ashcroft (1985) distinguishes between shared assumptions (culture) and shared perceptions (climate) and argues that culture 'informs' climate by helping individuals to define what is important and make sense of their experiences. In recent years increasing attention has been focused on ethical behavior of managers, due in part to media exposure of a number of unethical actions of business managers. Unethical practices such as embezzlement, fraudulent billing practices, deception, favoritism, and nepotism are just a few of the issues recently raised by the news media and stakeholders. The ethical climate in an organization has been described as '*the shared perceptions of what ethically correct behavior is and how ethical issues should be handled*' [6]. From a symbolic integrationist's perspective, climates emerge due to an interaction between persons and might take a reality of their own through this process [5]. An organization's ethical climate was found to influence the ethicalness of organizational members [7], [8]. According to Lewis, Goodman, and Fandt (2001), organizations pay attention to ethical issues because the public expects a business to exhibit high levels of ethical standard. High levels of ethical standards protect individuals who work in organizations, employees dislike invasion of their privacy, being ordered to do something against their personal convictions, or working under hazardous conditions [9]. The purpose of this study is surveying ethical climate on job satisfaction in Iran's SMEs.

## 2 THEORETICAL BACKGROUND

### 2.1 Ethical Climate

In the literature, nine theoretical ethical climate types are determined by using the two dimensional theoretical typology [10], [11]. These climate types are: self-interest; company profit; efficiency; friendship; team interest; social responsibility; personal morality; company rules and procedures; laws and professional codes. TABLE 1 shows Theoretical ethical climate types.

TABLE 1- Theoretical ethical climate types (Victor and Cullen, 1988) Satisfaction

Ethical criterion	Locus of analysis		
	Individual level	Local level	Cosmopolitan level
Egoism	Self-interest	Company profit	Efficiency
Benevolence	Friendship	Team interest	Social responsibility
Principle	Personal	Company rules and	Laws and

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morality

procedures

professional codes

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## **2. 2 Job Satisfaction**

Job satisfaction describes how content an individual is with his or her job. The happier people are within their job, the more satisfied they are said to be. Job satisfaction is not the same as motivation or aptitude, although it is clearly linked. Job design aims to enhance job satisfaction and performance, methods include job rotation, job enlargement, job enrichment and job re-engineering. As early as 1918, Thorndike explored the relationship between work and satisfaction [12]. Later studies began looking at job satisfaction factors such as emotional tendencies, attitudes, and the work environment. By the 1970s, Locke (1976) advanced what came to be a highly influential definition of job satisfaction. He defined it as "a pleasurable or positive emotional state resulting from the appraisal of one's job or job experiences".

Other definitions, models, and theories followed. Lawler [12], for example, developed the motivational framework that deals with how a person measures job satisfaction based on what they got versus what they feel they deserve. Therefore, dissatisfaction occurs when a person receives less than what was expected. He defines job satisfaction as a one-dimensional construct; that is, workers are generally satisfied or dissatisfied with their job. Bandura developed a theory known as the social influence hypothesis, which describes a social effect where individuals want what they perceive others around them want. Another influential theory [13] suggested that the hedonic or emotional states (e.g., job satisfaction vs. dissatisfaction) of humans follow a two-phase pattern of change. The excitatory or primary state (i.e., the immediate emotional response to work-related stimuli) is followed by an inhibitory or secondary reaction (the later emotional response) called the opponent process; this creates a stabilized equilibrium. Thus, "opponent process theory describes a manifest emotional state (e.g., job satisfaction-dissatisfaction) as the resolution of two opposing hedonic processes". More recently, Weiss (2002) defined it as "a positive (or negative) evaluative judgment one makes about one's job or job situation" (p. 6). He argues that job satisfaction is multidimensional; that is, a worker may be more or less satisfied with his or her job, supervisor, pay, workplace, and so forth.

Edwin A. Locke's Range of Affect Theory (1976) is arguably the most famous job satisfaction model. The main premise of this theory is that satisfaction is determined by a discrepancy between what one wants in a job and what one has in a job. Further, the theory states that how much one values a given facet of work (e.g. the degree of autonomy in a position) moderates how satisfied/dissatisfied one becomes when expectations are/aren't met. When a person values a particular facet of a job, his satisfaction is more greatly impacted both positively (when expectations are met) and negatively (when expectations are not met), compared to one who doesn't value that facet. To illustrate, if Employee A values autonomy in the workplace and Employee B is indifferent about autonomy, then Employee A would be more satisfied in a position that offers a high degree of autonomy and less satisfied in a position with little or no autonomy compared to Employee B. This theory also states that too much of a particular facet will produce stronger feelings of dissatisfaction the more a worker values that facet [14].

Another well-known job satisfaction theory is the Jackson's Dispositional Theory Template (2007) [15]. It is a very general theory that suggests that people have innate dispositions that cause them to have tendencies toward a certain level of satisfaction, regardless of one's job. This approach became a notable explanation of job satisfaction in light of evidence that job satisfaction tends to be stable over time and across careers and jobs. Research also indicates that identical twins have similar levels of job satisfaction.

A significant model that narrowed the scope of the Dispositional Theory was the Core Self-evaluations Model, proposed by Timothy A. Judge in 1998. Judge argued that there are four Core Self-evaluations that determine one's disposition towards job satisfaction: self-esteem, general self-efficacy, locus of control, and neuroticism. This model states that higher levels of self-esteem (the value one places on his/her self) and general self-efficacy (the belief in one's own competence) lead to higher work satisfaction. Higher job satisfaction gets from having an internal locus of control (believing one has control over her or his own life, as opposed to outside forces having control). Finally, lower levels of neuroticism lead to higher job satisfaction.

Davis (2004) found that workers in small businesses reported their work to have the highest correlation to job satisfaction, whereas pay and supervision had lower correlations. Rowden (2002) conducted the first known empirical study to establish the extent of workplace learning in small business, and to delineate the relationship between workplace learning and job satisfaction. A large part of the job satisfaction was attributed to the availability of learning opportunities on the job. Rowden and Conine (2003) found similar results in a study on the relationship between workplace learning and job satisfaction in U.S. small commercial banks. The instrument Rowden and Conine used to measure job satisfaction in the study of banks was the Specter Job Satisfaction Survey [16]. The Specter Job satisfaction survey was developed by a professor of Industrial and Organizational Psychology as a composite of several other studies. The survey was first administered to 3,067 individuals working across all different types and sizes of companies. The study encompassed workers at all different levels in the companies. The instrument yielded valid and reliable results and has since been used in numerous other studies in many parts of the world.

### **2. 3 Job Satisfaction and Ethical Climate**

Some studies have examined the ethics of small business owners and managers [17]. However, the study of ethical climate and the relationship between ethical climate and job satisfaction in small businesses remains an uncharted area. The literature discussed below provides related research that examines this relationship in select groups, locations, or corporations (e.g., IT managers, nurses, Indian managers, managers in Singapore). These studies were selected because they provide a theoretical basis for this study, and they offer a framework that should be easily adapted to the small business environment. Further, several of these studies have utilized the widely recognized ECQ and the six ethical climates identified by Victor and Cullen (1990).

Okpara (2002) gathered data from 320 IT managers in various businesses located in Nigeria. Using the ECQ as a measure of ethical climate and the Job Descriptive Index to measure job satisfaction, Okpara reported that "climate significantly influenced satisfaction with promotions, supervisors, and work. It also significantly influenced overall job satisfaction". Similarly, Joseph and Deshpande's (1997) study of 226 nurses employed by a large nonprofit hospital indicated that a caring climate had a significant influence on overall job satisfaction, and a rules climate led to nurses who were more satisfied with pay, promotion, and supervision. This study also used the ECQ. Another study by Deshpande (1996) used the ECQ and a measure of job satisfaction with 252 mid-level managers in a large non-profit corporation. Deshpande reported that "one implication of this study was that managers can influence overall job satisfaction and satisfaction with promotions, supervisors, and work by ensuring that the organization has a professional climate". This study also indicated that pay satisfaction appears to be independent of ethical climate. Two other studies by Deshpande [18], [19] indicated similar relationships between job satisfaction and ethics among mid-level managers in India.

## **3 RESEARCH HYPOTHESES**

### **3. 1 Main Hypothesis**

In this paper have one main hypothesis and nine secondary hypotheses. The statistical way of analysis of hypotheses is two ways,  $H_1$  is acceptance of hypothesis and  $H_0$  is rejecting of hypothesis. In other words, it means that  $H_1$  has positive meaning and  $H_0$  has negative meaning.

There is a relationship between ethical climate and Job satisfaction in Iran's SME.

### **3. 2 Secondary Hypothesis**

1. There is a significant relationship between Self-interest and Job satisfaction in Iran's SME.
2. There is a relationship between Friendship and Job satisfaction in Iran's SME.

3. There is a significant relationship between Personal morality and Job satisfaction in Iran's SME.
4. There is a significant relationship between Company profit and Job satisfaction in Iran's SME.
5. There is a significant relationship between Team interest and Job satisfaction in Iran's SME.
6. There is a significant relationship between Company rules and procedures and Job satisfaction in Iran's SME.
7. There is a significant relationship between Efficiency and Job satisfaction in Iran's SME.
8. There is a significant relationship between Social responsibility and Job satisfaction in Iran's SME.
9. There is a significant relationship between Laws and professional codes and Job satisfaction in Iran's SME.

## **4 OBJECTIVES**

### **4.1 Main objective**

The main Purpose of this study is Surveying Ethical Climate on Job satisfaction in Iran's SMEs and Understanding and determining their relationship and indexes.

### **4.2 Secondary Objective**

1. Understanding and determining relationship between Self-interest and Job satisfaction in Iran's SME
2. Understanding and determining relationship between Friendship and Job satisfaction in Iran's SME
3. Understanding and determining relationship between Personal morality and Job satisfaction in Iran's SME
4. Understanding and determining relationship between Company profit and Job satisfaction in Iran's SME
5. Understanding and determining relationship between Team interest and Job satisfaction in Iran's SME
6. Understanding and determining relationship between Company rules and procedures and Job satisfaction in Iran's SME
7. Understanding and determining relationship between Efficiency and Job satisfaction in Iran's SME
8. Understanding and determining relationship between Social responsibility and Job satisfaction in Iran's SME
9. Understanding and determining relationship between Laws and professional codes and Job satisfaction in Iran's SME

## **5 METHODOLOGY**

This study focuses on Iranian Small and Medium Enterprises (SMEs). Data has collected from 128 workers of SMEs in East Azerbaijan Province of Iran by two standard questionnaires of study variables. Ethical Climate Questionnaire, a 26 item scale by Victor & Cullen (1988) and job satisfaction Survey questionnaire, a 36 item scale Paul E. Spector (1997) both the reliability and validity of measures has examined. The combined Likert-type scale contained 62 statements, along with six response categories on an agreement-disagreement continuum. Questionnaire reliability was estimated by calculating Cronbach's Alpha via SPSS software that is shown in the table 2.

Table 2. Results of reliability variables from SPSS software

Variables	Cronbach's Alpha
Ethical climate	0.89
Job satisfaction	0.91
Both	0.89

Descriptive statistics has calculated for the study constructs. The data were analyzed using SPSS for desktops. Using a Likert scale, the 36 items on the Specter Job Satisfaction Survey were designed to measure nine separate aspects of job satisfaction, and the 26 items on the ECQ were designed to measure six separate ethical climates. T-test has performed to compare means of the constructs between variables and Pearson correlation coefficients. Also it has calculated among the study constructs.

## 6 ANALYSIS AND CONCLUSION

### 6.1 Descriptive Analysis

Almost Eighty-five percent of the participants work full time. Seventy-nine percent are male and twenty one are female. Sixty-seven percent are married. The responder's degree is 17.97 percent M.A or PHD, 61.72 percent BA, and 20.31 percent have DA degree. It means that the most of the workers have university degree. (Table 3)

Table3- Responders degree

Valid	Degree	Frequency	Percent	Valid Percent	Cumulative Percent
	MA or PHD	23	17.97	17.97	17.97
	BA	79	61.72	61.72	79.69
	DA	26	20.31	20.31	100.0
	Total	128	100.0	100.0	

Table 4 shows work experience of the responders. According to table 4, from the precedence point of view about 10.94 percent of responders have less than 2 years work experience, and 30.47 percent have between 3-5, 21.09 percent 6-8, 14.84 percent 9-11, 12.5 percent 12-14 and finally 10.15 percent have more than 15 years of managing experience. It shows that People with more experience are less than 6 years.

Table 4- Work Experience of the responders

Work Experience					
Valid		Frequency	Percent	Valid Percent	Cumulative Percent
	Under 2	14	10.94	10.94	10.94
	3-5	39	30.47	30.47	41.41
	6-8	27	21.09	21.09	62.5
	9-11	19	14.84	14.84	77.34

	12-14	16	12.5	12.5	89.84
	More than 15	13	10.15	10.16	100.0
	Total	128	100.0	100.0	

Table 5 reports descriptive statistics including means and standard deviation for samples.

Table 5: Means and standard deviations for variables

Variable	mean	SD
self-interest	5.98	0.43
company profit	5.64	0.38
efficiency	6.01	0.45
friendship	5.26	0.37
team interest	4.29	0.35
social responsibility	4.21	0.32
personal morality	5.92	0.42
company rules and procedures	5.79	0.39
laws and professional codes	4.23	0.33
job satisfaction	4.85	0.36

## 6.2 Hypothetical Analysis

Table 6, which present the correlations and t-test of each of the eleven items. The results show that ethical climate and their dimensions are all significantly and highly related with job satisfaction. Strong positive correlation was found between personal morality and job satisfaction ( $r=0.602$  and  $t=8.48$ ). Also was found Strong positive relationship between all dimensions of ethical climate and job satisfaction.

Table 6- Pearson's correlation coefficients and t-test of variables

Independent Variables	dépendent Variable	n	Pearson Correlation	t-test	Level of sig.
self-interest	JS	128	0.346	4.12	.000
company profit	JS	128	0.401	4.89	.000
efficiency	JS	128	0.357	4.3	.000
friendship	JS	128	0.285	3.35	.000
team interest	JS	128	0.579	7.93	.000
social responsibility	JS	128	0.472	6.01	.000
personal morality	JS	128	0.602	8.48	.000
company rules and procedures	JS	128	0.394	4.8	.000

laws and professional codes	JS	128	0.298	3.5	.000
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The results provide some evidences to support links between ethical climate and job satisfaction. Furthermore, it shows workers, who have higher ethical climate in organization, probably have more job satisfaction than the others.

Finally, we find that there is a positive relationship between ethical climate and job satisfaction of Iran's small and medium enterprise workers in East Azerbaijan province.

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