

# RELATIONSHIP OF ETHICAL CLIMATE AND ORGANIZATIONAL SOCIALIZATION

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**ABSTRACT** *The main focus of his study is to examine the relationship of ethical climate and organizational socialization. Ethical climate and Organizational socialization both variables depend on each other. This research conducts on banking industry of Pakistan. Data is collected with the help of questionnaire. Results of this study indicate that there is two dimensional relationship between EC and OS. However the impact of OS (organizational socialization) has greater impact on EC (Ethical climate). And impact of EC (Ethical climate) on OS (organizational socialization) is weak. In future more researches will be done on other sectors like education sector, textile sector etc. for generalizing the results. In future researches relationship of these variables with more variables like social support, perceived organizational support, psychological detachment, perceived supervisor support will be checked.*

**Keywords:** EC (Ethical climate), OS (organizational socialization), Banking Sector, Pakistan

## INTRODUCTION

Organizational socialization is the process where by an organization teaches an individual the knowledge and skills necessary to assume his or her organizational role [1]. It involves teaching to newcomers about the values, behaviors, social knowledge, and essential work place skills needed for success for their organizational role as an organizational member [2,3] found that new organizational members must learn about organizational expectations and new communication techniques and build their perceptions about unfamiliar environments. The socialization process aids in indoctrinating new members about the rules and norms for behavior within an organization. Ethical climate is “the shared perceptions of what is ethically correct behavior and how ethical issues should be handled” [4]. Researchers also argued that an ethical climate focuses on the values and beliefs that are known and perceived by work group and/or organizational members. There is an increasing recognition that ethical work climate on part of organization is indispensable for good business. Organizations that strive for excellent in their business practices also tend to manifest a strong ethical culture. In order to ensure long-term viability, organizations must respond to both their economic and non-economic environments. This requires keeping high expectations for socially responsible and ethical behaviors. The ethical work climate is important indeed because workers need the ethical code and support to guide how to perform well in organization where they work. The ethical attitude must be institutionalized in organization.

From above it is concluded that ethical climate is very essential for the organizations. Due to bad ethical climate organizations can suffer in many ways.

### Problem Identification

Unethical practices affect business in a number of ways. First, consumers tend to be away from products and services of organizations with unethical reputations [5]. Second, some unethical practices can increase the firm’s salability, financial risk, and costs [6]. Third, unethical climate has a pervasive effect on employees via levels of lower job satisfaction, low performance, turnover intention, and low organizational

citizenship behavior [7]. So, ethical climate is serious concern of many organizations.

Every third employee on average in Lithuania leaves their organization due to lack of socialization in the working environment. Though management professionals started to show a serious interest in employee socialization in the eighth decade of the previous century, when it was recognized that transfer of essential professional skills, knowledge and values of organizational culture and further employee self-development are equally important in the socialization process [1,8] , analysis of the practices of the Lithuanian organizations showed that in many organizations the importance of orienting new employees (transfer of knowledge and skills) 2 for many reasons (lack of management competence, management style) ignored the primal spiritual element of employee socialization[9] .

### Objectives of the study

The main objective of this research is to examine the relationship of ethical climate on organizational socialization.

## LITERATURE REVIEW

### Ethical climate

Ethical climate is a type of an organization’s work climate [10]. Researches defined the ethical climate of an organization as “the prevailing perceptions of typical organizational practices and procedures that have ethical content constitute the ethical work climate” [11]. Ethical climate is simply one dimension of a multifaceted work climate and accounts in part for the socialization processes that occur once an individual becomes part of an organization [12]. The authors further argue that an organizational climate —focuses on the values and beliefs that are known and perceived by work group and/or organizational members. Researcher [13] argued that the climate is primarily determined by the managerial assumptions and the relationship between the managers and their subordinates. Thus ethical climate qualify according to employee perception of the norm how ethical decision should be made within an organization.

**Organizational socialization**

Organizational socialization is a process where an employee acquires the knowledge, skill, attitude and behavior. The manner in which organizations socialize their newcomers is important because it affects the success of socialization and newcomers' adjustment [14]. Organizational socialization not only helps newcomers transition into effective organizational insiders [15] but also enables organizational members to share knowledge and learn new roles over time [16,17,18]. [19] noted that the socialization process is one that takes place throughout the entire life cycle of an organizational member – it is not solely the purview of new organizational members, although the research heavily favors this population[20].

**Approach of organizational socialization**

One approach to studying organizational socialization involves examining the tactics employed by organizations to structure newcomers' socialization experience [1]. More recently, an alternative approach to understanding socialization has emerged in which individuals are viewed as active agents in the socialization process [16]. Meta-analytic evidence suggests that formal organizational socialization efforts are related to higher levels of role clarity, self-efficacy, and social acceptance, and that these variables, in turn, are related to higher levels of job satisfaction, organizational commitment, and intention to remain [21,22].

**Hypotheses development**

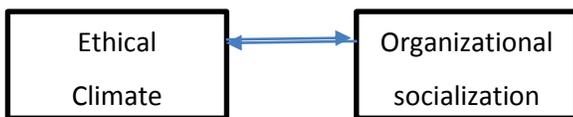
From the best of author knowledge no previous study has examined the relationship of organizational socialization and ethical climate. In this regard current study has been purpose the two hypotheses.

**H-1:** Organizational socialization has positive link with ethical climate

**H-2:** Ethical climate has positive link with Organizational socialization

**Research Model**

Ethical climate (EC) and organizational socialization (OS) both variables depend on each other.



**DATA COLLECTION**

Data was collected with the help of structured questionnaire. We collect data was the banking sector of Lahore. Respondents for this study were officer level employees of banking sector. Overall 100 questionnaires were distributed. All questionnaires were selected for final analyses.

**RESULT AND DISCUSSION**

**Table 1 Correlation Analysis**

	<b>EC</b>	<b>OS</b>
<b>EC</b>	1	0.376**
<b>OS</b>		

\*\*\*Significant at the 0.01 level.

\*\*Significant at the 0.05 level.

\* Significant at the 0.10 level.

Table 1 describes that correlation between Ethical climate (EC) and organizational socialization. Ethical climate (EC) and Organizational socialization are positively correlated with each other's. There is strong correlation between Ethical climate (EC) and Organizational socialization.

**Regression analysis**

**Table number 2**

	<b>B</b>	<b>T</b>	<b>P</b>
(Constant)	1.419	2.570	0.000
OS	0.577	4.011	0.000
R Square	0.141		
F	16.092		0.000
Durbin-Watson	1.792		

Dependent Variable: EC

\*\*\*Significant at the 0.01 level.

\*\*Significant at the 0.05 level.

\* Significant at the 0.10 level.

Tables No 2 describes the regression analyses about current study. The relationship and effect of independent variable on dependent variable is described with the help of regression analysis. Table number 2 shows the relationship EC and OS. In first step we considered the Ethical climate as depended variable and organizational socialization considered that independent variable. And this relationship value of the  $\beta$  is 57.7%. This shows that OS changes the level of EC up to 57.7% in banking sector of Lahore.

Table number 3 shows the relationship organizational socialization and Ethical climate. In second step we considered the OS as depended variable and EC considered that independent variable. And this relationship value of the  $\beta$  is 24.4%. This shows that EC changes the level of OS up to 24.4% in banking sector of Lahore. And value of  $p=0.00$  i.e.  $< 0.01$  for relationship Ethical climate (EC) with organization socialization (OS). This show that Ethical climate has significant impact on with organizational socialization. It implies that ethical climate may cause 24.4 % variation in EC. This table also gives none zero values of t.

**Table number 3**

	<b>B</b>	<b>T</b>	<b>P</b>
(constant)	2.914	12.862	0.000
EC	0.244		
R Square	.141	4.011	0.000
F	16.092		
Durbin-Watson	1.664		0.000

Dependent Variable: OS

\*\*\*Significant at the 0.01 level.

\*\*Significant at the 0.05 level.

\* Significant at the 0.10 level.

The value of R Square describes the extent of impact that independent variable have on dependent variables. This value is accepted when it is  $> 25\%$ . P-value illustrates the actual level of relationship. In the regression analysis if the value of P is less than 0.05, 0.01 or 0.10, then the hypothesis is accepted. These are three levels for the acceptance of the hypothesis. The value of F describes the extent of relationship between dependent and independent variables. Greater the value of F, greater will be the association among variables.

The value of  $\beta$  describes the level of impact of independent variable on dependent variables.

## CONCLUSION

The objective of this study was to investigate the relationship of organizational socialization on ethical climate. The statistical results show that organizational socialization has positive relationship with ethical climate and confirm that both variables have strong relationship with each other. Results of this study indicate that there is two dimensional relationships between EC and OS. However, OS (organizational socialization) has greater impact on EC (Ethical climate). And impact of EC (Ethical climate) on OS (organizational socialization) is weak as compare to above relation. In future research impact of important variables such as social support, perceived organizational support, perceived supervisor support, psychological detachment checked for improvement of banking functions and process in banking sector of Pakistan. More researches will be done on other sectors like education sector, textile sector etc. for generalizing the results.

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