



## Impact of Work Ethics on Organizational Commitment and Employee Satisfaction at HDFC Bank Indore, India

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### ABSTRACT

Work ethics is important in today's business because employee's behavior strongly contributes to the success of an organization in the global market. Many studies have been conducted on the effect of work ethics on job satisfaction and organizational commitment and the findings are mixed. Some researchers reported a positive and significant effect of work ethics on job satisfaction and organizational commitment. The objective of this study is to examine the effect of work ethics on work satisfaction and organizational commitment at the HDFC Bank. As many as 50 employees became respondents in the study. The data were obtained by utilizing a self-administered questionnaire and in-depth interviews, and data was analyzed through SPSS tool and apply ANOVA and Partial Least Squares (PLS). The findings in the study show that work ethics has a non-significant negative effect on work satisfaction while work ethics has a significant positive effect on organizational commitment. This study concludes that work ethics are very important for organizational commitment but that they cannot automatically create high job satisfaction. Work ethics and work satisfaction are not necessarily related, which might be due to the perception of fairness among the employees.

**KEYWORDS :** work ethics, work satisfaction, organizational commitment, HDFC Bank.

### Introduction:

Organizations are increasingly paying attention to the issues related with work ethics, because a good work climate is evaluated as a critical factor for organizations and business problems involving ethics are increasing. Ethical values may change one to another. So there may be a need for top management to make certain ethical codes and support employees for ethical behaviors to manage organizational commitment and outcomes. Ethical climate makes an environment that enhances ethical values, clarifies role ambiguities, and provides a clear direction for ethical decision making in ethical situations enabling individuals to enjoy their works. If employees perceive a favorable ethical climate they are also likely to have a higher level of job satisfaction and committed with the organization. Lack of ethical consistency between the organization and its employees can cause stress and dissatisfaction. The relationship between job satisfaction (JS) and organizational commitment (OC) is widely researched, but mediating role of JS on the relationship between work ethical climate (WEC) and organization commitment is relatively less studied. The present study focuses on the role of work ethics in the organization and how its influence the organizational commitment of an employee. The findings of this study can contribute to understand the relationship between work ethical climate and organizational commitment of an employee.

Work ethical issues in organization nowadays has become more complex which concern on aspects such as fair competition, societal expectation, social responsibilities and legal protection and right Behavior of employees at work is an important factor in organizational growth. Higher financial benefits can be realized by organizations when the employees are committed. A satisfied workforce is essential for the success of organizations and their businesses. Dissatisfied employees make organizations dysfunctional in businesses, damaging their financial performance. Such employees, when unattended, do not have loyalty towards their organizations and therefore, cannot deliver profits. Work ethic climate depends on employees' perceptions on how their organization deals with ethical conduct through organization's practices and procedures.

### Conceptual Framework:

#### Work Ethics:

Work ethic is a set of values based on hard work and diligence. It is also a belief in the moral benefit of work and its ability to enhance character. An example would be the Protestant work ethic. A work ethic may include being reliable, having initiative, or pursuing new skills. Workers exhibiting a good work ethic in theory should be selected for better positions, more responsibility and ultimately promotion. Workers who fail to exhibit a good work ethic may be regarded as failing to provide fair value for the wage the employer is paying them and should not be promoted or placed in positions of greater responsibility.

### Organizational Commitment:

Organization commitment is commonly defined as employees' interest and connection to an organization. Organizational commitment can be characterized as: a strong belief and acceptance of the organization's goals and values, willingness to put forth considerable effort for the sake of organization, and a strong desire to remain as a member of the organization. Organizational commitment is related with an increased in performance, satisfaction, and organizational adaptability, and negatively affect absenteeism and employee turnover. Employee's commitment is important to organization because committed employees are likely to be more willing to make personal sacrifices for the sake of organization.

Organization's ethical values may also increase employees' commitment to the organization as employees might experience a stronger attachment to companies that adopt ethical values found that marketing professionals' commitment was positively related to corporate concern for ethics. Organizations could augment individual commitment through ethical compliance and rewards. Moreover found that employees will feel more committed as they perceive his or her peers engaged in ethical behaviors. In contrast, employee's level of commitment will reduce if they believe that his or her peers engage in unethical behaviors.

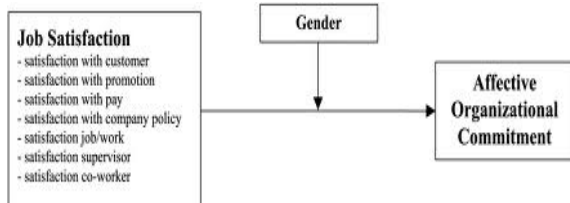
### Organizational Culture:

Work culture means work related activities, and meanings attached to such activities in the framework of norms and values, are generally contextualized in an organization. An organization has its boundaries, goals and objectives, technology, managerial practices, material and human resources as well as constraints. Its employees have skills, knowledge, needs and expectations. These two sets of factors – organizational and individual – interact and over time establish roles, norms and values pertaining to work.

### Model of commitment:

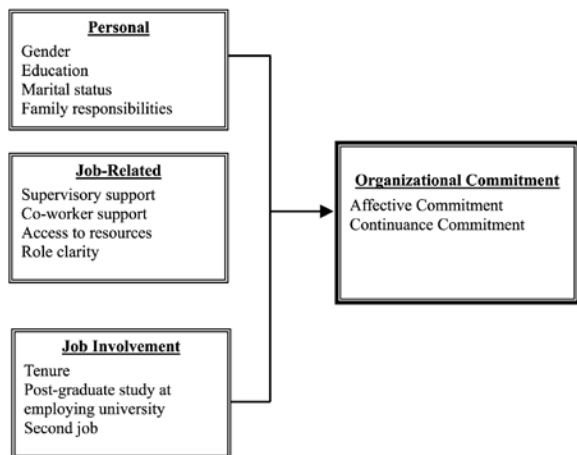
#### Affective Commitment:

AC is defined as the employee's positive emotional attachment to the organization. Meyer and Allen pegged AC as the "desire" component of organizational commitment. An employee who is affectively committed strongly identifies with the goals of the organization and desires to remain a part of the organization. This employee commits to the organization because he/she "wants to". This commitment can be influenced by many different demographic characteristics: age, tenure, sex, and education but these influences are neither strong nor consistent. The problem with these characteristics is that while they can be seen, they cannot be clearly defined. Meyer and Allen gave this example that "positive relationships between tenure and commitment maybe due to tenure-related differences in job status and quality" In developing this concept, Meyer and Allen drew largely on Mowday, Porter, and Steers' (2006) concept of commitment, which in turn drew on earlier work by Kanter (1968).



**Continuance Commitment:**

Continuance Commitment is the “need” component or the gains versus losses of working in an organization. “Side bets,” or investments, are the gains and losses that may occur should an individual stay or leave an organization. An individual may commit to the organization because he/she perceives a high cost of losing organizational membership (cf. Becker’s 1960 “side bet theory”). Things like economic costs (such as pension accruals) and social costs (friendship ties with co-workers) would be costs of losing organizational membership. But an individual doesn’t see the positive costs as enough to stay with an organization they must also take into account the availability of alternatives (such as another organization), disrupt personal relationships, and other “side bets” that would be incurred from leaving their organization. The problem with this is that these “side bets” don’t occur at once but that they “accumulate with age and tenure”.



**Normative Commitment:**

The individual commits to and remains with an organization because of feelings of obligation, the last component of organizational commitment. These feelings may derive from a strain on an individual before and after joining an organization. For example, the organization may have invested resources in training an employee who then feels a ‘moral’ obligation to put forth effort on the job and stay with the organization to ‘repay the debt.’ It may also reflect an internalized norm, developed before the person joins the organization through family or other socialization processes, that one should be loyal to one’s organization. The employee stays with the organization because he/she “ought to”. But generally if an individual invest a great deal they will receive “advanced rewards.” Meyer and Allen based their research in this area more on theoretical evidence rather than empirical, which may explain the lack of depth in this section of their study compared to the others. They drew off Wiener’s (2005) research for this commitment component.

**Literature Review:**

Yousef, 2001, Ali and Al Owaihan (2008) the relationship between work ethic and organizational commitment has received considerable attention in the commitment literature (Yousef, 2001). Such interest might be referring to the belief that work ethics facilitate employees’ attitude towards hard work and the organization they work.

Yousef, 2001 This study investigates the role of organizational commitment as a mediator between the work ethic and attitudes toward organizational change and organizational commitment.

Martin 1992, 2002, the study reported in this paper adopts a three perspective framework (Martin 1992, 2002) to explore the impact of organizational culture on organizational commitment in a context

(software sector in India) that is renowned to be dynamic and people-center. The study adopts ethnographic methods including in-depth interviews, observation and document analysis. The findings lead to the development of a range of insights into the integrated, differentiated and fragmented nature of organizational culture and the impact of these on the perception of linkages with organizational commitment. The paper concludes with a series of implications for theory and practice.

Steers (1977); Porter et al. (1974); Reiches (1985) and Tett and Meyer (1993). The significance and importance of the concept of organizational commitment and ethics in terms of leading to beneficial organizational and desirable outcomes such as increased effectiveness, reducing absenteeism and turnover, has been documented by many studies such as those of Steers (1977); Porter et al. (1974); Reiches (1985) and Tett and Meyer (1993). These positive linkages between organizational commitment and desirable organizational outcomes may be due to the findings by Hrebiniak and Alutto (1972) as well as Angle and Perry (1983) that organizational commitment is considered to be the result of an individual-organization relationship. The above study reflects that individuals attach themselves to the organization in return for certain valued rewards or payments from the organization. Hence, it is likely that job satisfaction is a dominant factor influencing organizational commitment of employees.

Daftuar and Anjali, 1997; and Sharma, 1999, Productive workers are most likely to be the fact that a good job done leads to intrinsic satisfaction arising from the recognition received. Daftuar, Anjali and Sharma shows that the various variables of work ethics and organizational commitment increase the job involvement.

Jones, 1997, Elizur et. al., 1991, Yousef, 2001, Buyer and Webb (1992) and Weeks and Nantel (1996). The relationship between organizational commitment and work ethics has received considerable attention in the commitment literature (e.g., Jones, 1997, Elizur et. al., 1991, Yousef, 2001). Such interest might be attributed to the belief that work ethics facilitate employees’ attitudes toward work and the organization where they work. Work ethics, which are normally associated with religious beliefs, have been assumed to promote job satisfaction and organizational commitment. Studies with respect to the linkage between these variables have centered on two types of work ethics: formal ethics policies established by organizations, and informal ethical expectations (Sims, 1998). Buyer and Webb (1992) and Weeks and Nantel (1996), through their research suggest that when code of ethics are effectively applied, employee satisfaction increases. Likewise, Hunter ET. al. (1989) and Byington and Johnston (1991) reported a significant positive relationship between the enforcement of corporate ethical values and organizational commitment. According to above study that linkage between work ethics and organizational commitment through job involvement and HR policies of the organization.

Organizational commitment emerged in the 1970’s and 1980’s as a key factor of the relationship between individuals and organizations (Mowday et al. 1982). Commitment can thus be defined as an expression of subjectivity - an attitudinal act in which a person feels entrusted to act in an ethical mode of being (Morrigan, Badham & Garrety, 2003). But, according to Porter ET. al. (1974), commitment is the strength of an individual’s identification and involvement with a particular organization, characterized by three factors which is, (a) a strong belief in and acceptance of the organization’s goal and values; (b) a willingness to exert considerable effort on behalf of the organization; and (c) definite desire to maintain organization membership.

Mowday et al. 1982 & Morrigan, Badham & Garrety, 2003 according to porter, organizational commitment is identification and work involvement of an individual in a particular organization. He is also reveals the beliefs of employees towards the organizational goal acceptance.

There are some valuable research findings pertaining to the influence of organizational commitment on lots of variables including worker attitudes and performance. Organizational commitment was found to be associated positively with job satisfaction of employees (Glisson & Durick, 1988; Mowday et al., 1979; Porter, Crampon & Smith, 1976; Porter, Steers, Mowday & Boulian, 1974). In a more specific study, it was found that where there was no conflict between organizational

loyalty and professional standards among a sample of accounting professionals, organizational commitment correlated positively with job satisfaction (Norris & Niebuhr, 1983). From his research, Giap (1996) found that there were significant and positive correlations between organizational commitment, job involvement and employee self evaluated performance.

The researchers reveals the factor influencing the organizational commitment i.e. attitude of workers, loyalty, and job involvement. There is positive correlation between work ethics and organizational commitment.

Mowday, 1982; Mathieu and Zajac, 1990; Cohen, 1993a and 1993b; Meyer and Allen, 1997; Meyer et al., 2002; Cooper-Hakim and Viswesvaran, 2005; Riketta and Van Dick, 2005; Chughtai and Zafar, 2006; and Kumar and Giri, 2007. A large number of research reviews have concluded that organizational commitment and work ethics plays an important role in predicting work behaviour. Research has also shown that organizational commitment significantly correlates with job satisfaction, organizational citizenship behaviour, turnover intentions, work performance, employee motivation and thus appears to be a crucial factor in understanding and enhancing work effectiveness. Employees with low level of commitment are more likely to leave their organizations whereas highly committed employees wish to remain with their employing organizations. The significance and importance of the concept of work ethics organizational commitment in terms of leading to beneficial organizational and desirable outcomes such as increased.

#### Objective:

- To study the effectiveness of work ethics on organizational commitment of an employees.
- To study the effect of gender difference in organizational commitment of an employee.
- To study the effectiveness of work ethics on job satisfaction of employees.

#### Hypothesis:

- 1: Work ethics have a significant effect on organizational commitment.
2. Gender difference has a significant effect on organizational commitment.
- 3: Work ethics have a significant effect on job satisfaction.

#### Research Methodology:

In order to test the hypothesis, research has been conducted in 2014 on the largest and the fastest growing HDFC Bank in India. Data were collected from employees who are working in Indore, Madhya Pradesh, India.

This study uses primary data obtained through a self-administered questionnaire. The respondents for this research were all permanent employees working in the five branches of the HDFC Bank, numbering some 50 employees. Several respondents were purposively selected as key-informants for in -depth interviews. The in-depth interviews were conducted to explore the relationship mechanism between work ethics, job satisfaction and organizational commitment. The in-depth interviews were carried out by researchers utilizing an interview guide.

A five-point Likert scale was utilized to measure each indicator of latent variables ranging from 1 (very poor) to 5 (very good). Indicators in this study are a modified version of the indicators developed by Victor & Cullen (1988), and Ali (1988) for work ethics; Luthans (2006) for job satisfaction, and Allen & Meyer (1990) for organizational commitment. The data were analysed using the SPSS tool and apply ANOVA and Partial Least Squares (PLS). PLS is a structural equation model (SEM) based on components or variance. Percentage distribution is also used to analyse the characteristics of the respondents.

A convergent validity test was conducted to test the potential indicators of all constructs, while a composite reliability test carried out to test the constructs used two reflective indicators—work ethics and organizational commitment. The convergent validity test was used to

select valid/significant indicators that could be used to measure the constructs. Meanwhile, the composite reliability test was utilized to test the reliability of the indicators by measuring the correlation between the construct and their respective indicators. The indicators will be reliable if the correlation coefficient is equal to or greater than 0.70 (rc e 0.70) (Chin, 1998).

#### Analysis and interpretation:

- The findings of this study have some implications. The HDFC bank employees were showing a satisfactory level of organizational commitment, the variable with highest commitment level were bank's policy, facilities, communication and working conditions. On the other hand, employee has moderate level of satisfaction with the working hours, and salary.
- To increase the organizational commitment it is very important to identify the work ethics for efficient working. The most important ethical factors for bank employee are good wages and salary, faire HR policy, promotion/growth, and appreciation of work.
- Ethical working environment has positive impact on both affective and continuance commitment.
- There was significant impact of work ethics on organizational commitment of an employee.
- There was a significant effect of gender in organizational commitment it shows that female employees are have more sense of commitment than male employees in HDFC bank.

#### Qualitative Results Based on In-Depth Interview with Key Informants:

##### The Effect of Work Ethics on Job Satisfaction:

Employees in the company have had good work ethics. Good work ethics among the employees is due to work ethics values, which are the same as their religious values. Good work ethics among the employees are shown by the employees, who never receive a reminder letter; who provide services to the customers based on the company standard; who help each other in doing their job; and who provide feedback to the company. The good work ethics among the employees is also indicated by doing tasks according to the code of ethics and regulations, placing the company's interests over personal interests, working hard to achieve the target, and using the time effectively.

Meanwhile, job satisfaction is influenced by the relationships among employees and between employees and their supervisors. Employees help and support each other, which is very helpful in completing their tasks. Supervisors are willing to listen to feedback from the employees. All employees under the same supervisor are treated equally. Rewards are given to any employee who has done a good job, while punishment is given to any employee who has made a mistake. Job satisfaction is also influenced by task delegation, in which the company places the right people in the right place. Employees are given tasks and responsibilities based on their talents and interests, work duration and education level. Ultimately, employees feel comfortable, which encourages them to maximize their job performance.

Nevertheless, work ethics and job satisfaction are two different things and they are not necessarily related. Having good work ethics does not necessarily make the employees satisfied with the policies relating to them. Some of the key informants explain unfairness in the company by comparing their salary with the salary of another employee who does the same task as them at another company.

##### The Effect of Work Ethics on Organizational Commitment

Work ethics has a significant and positive effect on organizational commitment. This means that higher work ethics will increase organizational commitment while lower work ethics will reduce organizational commitment. The positive effect of work ethics on organizational commitment can be attributed to four reasons. Firstly, work ethic values that are compatible with the employee's religious beliefs and expectations create a strong desire for the employee to remain working with the company. The employee also tries their best to work according to the company's expectations and accepts corporate values and objectives.

Secondly, the company cares about the employees. The company develops communication among employees and between employees and the higher ranking officials through formal and informal meet-

ings. The company also treats employees as a family, which makes the employees feel a meaningful relationship with the company. This non-material compensation creates loyalty among the employees to the company. Moreover, this compensation will not necessarily be obtained by the employees if they work at other companies.

Thirdly, the company has a good reputation, as indicated by the rapid growth of the bank branches. Thus, the employees are proud of working for the company. Lastly, employees care about the company, such as by obeying professional codes of ethics in terms of keeping any official business confidential; keeping the company's good image for the sustainability of the company; and working hard to achieve the performance target.

### Discussion and Conclusion:

The main objective of this study is to examine the effect of work ethics on job satisfaction and organizational commitment. The findings in this study show a positive and significant effect for work ethics on organizational commitment. This is indicated by the emotional attachment of employees to the HDFC Bank due to work ethics, which are the same as their religious beliefs, the company cares about employees, proud of being employees at this bank and the employees care about the bank.

To conclude, this study shows that work ethics are very important for organizational commitment but that they cannot automatically create high job satisfaction. Good work ethics are able to create a high organizational commitment among the employees, which encourages them to remain working with the bank even though they are less satisfied with their job. Since job satisfaction may include economic values, a fair salary is necessary for job satisfaction. This study recommends that the company should consider an external situation, such as the salary offered by the company's competitors for reducing the salary gap to enhance the feeling of fairness and job satisfaction among the employees. Furthermore, this study suggests further research to explore various factors relating to work ethics, such as job stress, career success, job security and social responsibility. Fairness needs to be considered as a moderating variable linking work ethics with job satisfaction. A similar study also needs to be conducted at conventional banks. However, the findings in this study need to be interpreted carefully due to the small sample size, and the fact that the respondents are only from one company.

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