The Effect of Ethical Climate and Job Satisfaction on Turnover Intention Mediated by Organizational Commitment

Farid Irawan Nugroho¹, Muafi²

¹Correspondence Author : muafi@ui.ac.id
²Universitas Islam Indonesia, Jl. Kalirang, Krawitan, Umbulmartani, Sleman Regency, DIY, Indonesia

ABSTRACT

This study aims to test and analyze the effect of ethical climate and job satisfaction on turnover intention mediated by organizational commitment in the employees of DN Production, Yogyakarta. The population in this study was 35 employees with sampling techniques using census methods. This research used quantitative methods by distributing questionnaires to employees. This research used Smart PLS v.3.0 modeling processed with SEM. The results concluded that: (1) ethical climate had a significant negative influence on turnover intention; (2) job satisfaction did not have a significant positive influence on turnover intention; (3) ethical climate did not have a positive influence on organizational commitment; (4) job satisfaction did not have a positive influence on organizational commitment, and (5) organizational commitment had a significant positive influence on turnover intention. Furthermore, organizational commitment could not mediate the influence of ethical climate on turnover intention and job satisfaction.

INTRODUCTION

Kelley dan Dorsch (1991) described organizational commitment as employee dedication given to the company. Organizational commitment of employees' characters includes: (1) employees having solid beliefs, accepting the goals and values of the organization; (2) having a willingness to exert considerable effort for the organization; and (3) having a strong desire to remain a member of the organization (Porter et al., 1974). Meyer dan Allen (1991) divided it into three components: affective commitment, ongoing commitment, and normative commitment. Regarding the ethical climate, Victor dan Cullen (198) said that ethical climate is the employee's perception of ethically correct behavior and must be addressed. Previous research has shown a significant positive relationship between physical climate and
organizational commitment (Wu et al., 2015; Kaur dan Sharma, 2016), although the results of this study are not consistent with research conducted by Suhaiza (2015).

In a different study, Aziri (2011) defined job satisfaction as a feeling that arises due to the perception that the work done by an employee meets material and psychological needs. Previous research has shown a relationship between job satisfaction and turnover intention (Azeez et al., 2016). However, the results of this study are not following the research conducted by Li et al. (2019) dan Zagladi et al. (2015), which showed negative results between the effect of job satisfaction on turnover intention. In contrast, Aban et al. (2019) found that job satisfaction positively affected organizational commitment, supported by Top dan Tarcan (2015; Ismail, 2016).

Hanisch (1991) defined turnover intention as the level of an employee's desire to change his current job with another. Turnover intention can be generally accepted as withdrawal behavior at work, such as being late or looking for a new job at another company. Barnett (1999) defined it as a deliberate and conscious decision to leave the organization. Meanwhile, Egan et al. (2004; Lacity et al. 2008) added that turnover intention is done consciously and deliberately by an employee. Azeez, et al. (2016) stated that job satisfaction harms turnover intention. When an employee is satisfied with his job, it can reduce turnover intention. The results of this study are also supported by Li et al. (2019) and Zagladi et al. (2015), showing a negative result between job satisfaction and turnover intention. Likewise, according to Hung et al. (2018), the results showed that organizational commitment did not affect turnover intention. Gatling et al. (2016) and Tnay et al. (2013) concluded that a higher employee commitment did not impact turnover intention.

A strategic issue of concern for an organization is always paying attention to aspects of the physical climate, job satisfaction, organizational commitment, and turnover intention, affecting overall organizational performance. DN Production is a company engaged in printing services and operates to produce paper bag products. This company prioritizes the welfare of all its employees, manifested in money or monthly salaries, rewards, and allowances. It also strives to foster a sense of kinship among employees by holding family gatherings expecting employee performance to increase the performance. The purpose of this study is to test and analyze the effect of ethical climate and job satisfaction on turnover intention mediated by organizational commitment to employees of DN Production, Yogyakarta.

LITERATURE REVIEW

Ethical climate, turnover intention dan organizational commitment

Reichers dan Schneider (1990) defined ethical climate as a shared perception of procedures, policies, and practices in an organization's formal and informal systems. Marshall et al. (2007) added that the ethical climate includes ethical values, norms, attitudes, feelings, and employee behavior. Demirtas dan Akdogan (2015) defined it as a prevailing perception of organizational-specific practices and procedures with an ethical component. Therefore, the ethical climate is a shared perception of organizational practices and procedures with a specific ethical component, including ethics, norms, attitudes, feelings, and employee behavior. The ethical climate is predicted to influence turnover intention related to several previous studies conducted by Ching et al. (2016). They found a significant relationship between ethical climate and turnover intention.

Meanwhile, Ensari and Karabay (2016; Rubel et al., 2017) found a negative and significant relationship between ethical climate and turnover intention. Suhaiza (2015) research stated that ethical climate had a significant positive relationship with organizational commitment and job satisfaction. Likewise, Ying dan Tsung (2015) added that the overall results of the ethical climate had a positive and significant effect on organizational
commitment. Similarly, Kaur dan Sharma (2016) found that ethical climate positively affected organizational commitment (affective, sustainable, and normative commitment).

H1: The ethical climate has a significant negative effect on turnover intention.

H3: Ethical climate affects organizational commitment.

**Job Satisfaction, Turnover Intention, and Organizational Commitment**

Cicolini et al. (2004) defined job satisfaction as the level of employee satisfaction with work considered a positive concept that describes work behavior. Hasibuan (2007) added that job satisfaction is a pleasant emotional attitude and loves work. Meanwhile, Handoko (2008) added that job satisfaction is a condition or attitude of a person that reflects an employee's pleasant or unpleasant emotional state regarding his job. Job satisfaction is predicted to influence turnover intention. In their research, Azeez et al. (2016) found an influence between job satisfaction and turnover intention. This result was confirmed by Li et al. (2019; Zagladi et al., 2015), revealing that job satisfaction affected turnover intention positively.

Job satisfaction also influences organizational commitment. Several previous studies conducted by Aban et al. (2019; Top dan Tarcan, 2015; Ismail, 2016) found a significant positive effect of job satisfaction on organizational commitment. When the company can increase employee job satisfaction, it will increase organizational commitment.

H2: Job satisfaction affects turnover intention.

H4: Job satisfaction affects organizational commitment.

**Organizational Commitment, Turnover Intention, and Ethical Climate**

Kelley dan Dorsch (1991) described the organizational commitment as the dedication that employees give to the company. Robbins dan Judge (2008) added that organizational commitment is a condition in which an employee sides with a particular organization and has goals to maintain membership. Organizational commitment is the relative strength of identifying individual involvement and attachment to an organization (Porter et al., 1974 & Mowday et al., 1979). Organizational commitment is a condition or attitude of an employee with an attachment and involvement in the organization's mission, vision, and goals.

In their research, Hung et al. (2018) found that organizational commitment had a significant negative effect on turnover intention. This finding is reinforced by Gatling et al. (2016; Tnay et al. (2013), which generally concluded that the higher the organizational commitment of employees, the lower employee turnover. Kaur (2013) found that organizational commitment could mediate the ethical climate on turnover intention. The indirectly ethical climate could reduce turnover intention mediated by organizational commitment. On the other hand, Tarigan dan Ariani (2015) found that organizational commitment could mediate job satisfaction on turnover intention. Affective commitment, ongoing commitment, and normative commitment harmed turnover intention.

H5: Organizational commitment affects turnover intention.

H6: Organizational commitment mediates the ethical climate on turnover intention.

H7: Organizational commitment mediates job satisfaction on turnover intention.

**RESEARCH METHOD**

This research is a descriptive study conducted using a quantitative approach. Quantitative research methods were based on the positivism philosophy using samples/population and data. In this study, the researchers conducted an analysis using SEM (Structural Equation Modeling) with SmartPLS (Partial Least Square) software. Measurement of ethical climate in this study refers to Victor dan Cullen (1988) with 26 items. Job satisfaction in this study
relates to (Spector, 1997) having three indicators with 11 items. Measurement of organizational commitment refers to Meyer dan Allen (1997), which has three indicators with 18 items. Meanwhile, the measurement of turnover intention refers to Chen dan Francesco (2000) with four items.

According to Sekaran and Bougie (2016), a population refers to a whole group of people, events, or exciting topics based on statistics. The sample is part of the population. In other words, some, but not all, elements of the population make up the sample. The population in this study were all 35 employees at DN Production Yogyakarta. Thus, this research is a census because the population is the same as the sample.

RESULT AND DISCUSSION
Descriptive Analysis

Descriptive analysis of respondents in this study consisted of gender, age, and latest education. The results of data processing show that most of the respondents were 31 males (91.2%); 19 respondents belonged to the 21-25 years old group (55.9%); 31 respondents (91.2%) were high school graduates. For descriptive analysis of research variables; ethical climate (x1) had an average of 3,297 (moderate criteria); job satisfaction (x2) had an average of 3,291 (medium criteria); organizational commitment (z) had a mean of 3,216 (medium criteria); turnover intention (y) had an average of 2,044 (low criteria). Thus, DN Production Yogyakarta employees had an ethical climate, job satisfaction, and moderate organizational commitment to not experience high turnover intention in the workplace.

Result
Convergent Validity

According to Sekaran dan Bougie (2016), convergent validity is determined when the scores obtained between two different instrument variables measuring the same concept are highly correlated. The convergent validity indicator is assessed based on the correlation between the item score/component score with the construct score, seen from the standardized loading factor, which describes the magnitude of the correlation between each measurement item (indicator) and its construct. Ghozali (2008) recommended that the reflection measure is high if correlated > 0.7 with the construct item being assessed; if the indicators measuring the construct of the item shows a value of 0.5 - 0.6, it will be considered sufficient. The results of loading factors are in Table 1.

<table>
<thead>
<tr>
<th>Variable</th>
<th>Dimension</th>
<th>Code</th>
<th>Loading Factor</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethical Climate</td>
<td>Caring</td>
<td>XiC2</td>
<td>0.839</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>XiC3</td>
<td>0.846</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Law and Codes</td>
<td>XILC2</td>
<td>0.885</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>XILC3</td>
<td>0.879</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>XILC4</td>
<td>0.872</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Instrumental</td>
<td>XIns4</td>
<td>0.709</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>XIns5</td>
<td>0.815</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>XIns7</td>
<td>0.881</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>XIns9</td>
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<td>Valid</td>
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<tr>
<td></td>
<td>Independent</td>
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<td>0.798</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>XInd4</td>
<td>0.808</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td>Rules</td>
<td>XRul1</td>
<td>0.819</td>
<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>XRul2</td>
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<td>Valid</td>
</tr>
<tr>
<td></td>
<td></td>
<td>XRul3</td>
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<td>Valid</td>
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<tr>
<td></td>
<td></td>
<td>XRul4</td>
<td>0.812</td>
<td>Valid</td>
</tr>
</tbody>
</table>
Reliability test results can be seen in Table 2.

<table>
<thead>
<tr>
<th>Constructs</th>
<th>AVE</th>
<th>Composite Reliability</th>
<th>Cronbach's Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>Law and Codes</td>
<td>0.772</td>
<td>0.910</td>
<td>0.855</td>
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<tr>
<td>Instrumental</td>
<td>0.648</td>
<td>0.846</td>
<td>0.749</td>
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<td>Rules</td>
<td>0.691</td>
<td>0.900</td>
<td>0.852</td>
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<td>Pay</td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
</tr>
<tr>
<td>Promotion</td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
</tr>
<tr>
<td>Fringe Benefits</td>
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<td>1.000</td>
<td>1.000</td>
</tr>
<tr>
<td>Supervision</td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
</tr>
<tr>
<td>Operating Procedure</td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
</tr>
<tr>
<td>Co-workers</td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
</tr>
<tr>
<td>Nature of Work</td>
<td>0.824</td>
<td>0.903</td>
<td>0.793</td>
</tr>
<tr>
<td>Communication</td>
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<td>1.000</td>
<td>1.000</td>
</tr>
<tr>
<td>Normative Commitment</td>
<td>1.000</td>
<td>1.000</td>
<td>1.000</td>
</tr>
<tr>
<td>Turnover Intention</td>
<td>0.789</td>
<td>0.881</td>
<td>0.783</td>
</tr>
</tbody>
</table>

Based on the results of the loading factor in Table 1, all construct values generated by all variables have valid items because they have met the standard convergent validity requirements with a loading factor value of 0.5.

**Composite Reliability**

Besides the loading factor's value for each construct as a validity test, the measurement model is tested for reliability. A reliability test is to prove the instrument's accuracy, consistency, and accuracy in measuring a construct. In PLS-SEM using SmartPLS, to measure the reliability of a construct, it can be done in two ways, with Cronbach's Alpha and Composite Reliability. However, using Cronbach's Alpha to test the reliability of a construct will give a lower value (underestimate), and Composite Reliability is more recommended. Reliability test results can be seen in Table 2.
Table 2 shows the value of all variables in reliability testing using either Cronbach's Alpha or Composite Reliability is > 0.70. The results of the reliability test analysis inform that all variables that meet Cronbach's Alpha above 0.7 have met the criteria of being reliable and are suitable for further research.

**Hypothesis Test**

Testing the model implemented from hypotheses 1 to 5 proposed is to see the influence of each exogenous variable on the endogenous variable. The results of the structural model analysis are in Table 3.

| Ethical Climate -> Turnover Intention | Original Sample (O) | Sample Mean (M) | Standard Deviation (STDEV) | T Statistics (|O/STDEV|) | P Values | Description |
|--------------------------------------|---------------------|-----------------|---------------------------|--------------------------|----------|-------------|
| -0.380                               | -0.337              | 0.157           | 2.414                     | 0.018*                   | H1 Diterima |
| Job Satisfaction -> Turnover Intention | 0.115              | 0.130           | 0.251                     | 0.457                    | 0.649    | H2 Ditolak  |
| Ethical Climate -> Organizational Commitment | 0.153          | 0.114           | 0.148                     | 1.035                    | 0.303    | H3 Ditolak  |
| Job Satisfaction -> Organizational Commitment | -0.188         | -0.183          | 0.157                     | 1.204                    | 0.232    | H4 Ditolak  |
| Organizational Commitment -> Turnover Intention | 0.552           | 0.539           | 0.148                     | 3.740                    | 0.000*   | H5 Diterima |
| Ethical Climate -> Organizational Commitment -> Turnover Intention | 0.085           | 0.060           | 0.087                     | 0.973                    | 0.333    | H6 Ditolak  |
| Job Satisfaction -> Organizational Commitment -> Turnover Intention | -0.104          | -0.105          | 0.093                     | 1.121                    | 0.265    | H7 Ditolak  |

*Description = * Significant α < 0.05.

**Discussion**

**The Effect of Ethical Climate on Turnover Intention**

Hypothesis 1 test shows an effect of ethical climate on the turnover intention with an original sample estimate value of (O = -0.380) and has 2.414. Since t is greater than the value of the t table or (2.414 > 1.96), hypothesis 1 is accepted. When the ethical climate is positive, it can reduce turnover intention. This finding is in line with previous research by Ensari dan Karabay (2016) and Rubel et al. (2017), showing a negative and significant relationship between ethical climate and turnover intention. When a company implements ethical and transparent procedures, policies, and practices, employees' ethical values, norms, attitudes, feelings, and behavior are also positive. It can attract employees to feel comfortable and have high loyalty to the company. Of course, this implementation should also apply to formal or non-formal systems in the organization.

**Job Satisfaction on Turnover Intention**

Hypothesis 2 test reveals that the effect of job satisfaction on the turnover intention with the original sample estimate value is (O = 0.115) and has 1.035 t-count since the t-count is smaller than the t table value or (0.457 < 1.96). Thus, hypothesis 2 is rejected, meaning that job satisfaction does not influence turnover intention. These results are different from Aban et al. (2019; Top dan Tarcan, 2014; Ismail, 2016). This condition needs further investigation by the company because increasing employee job satisfaction does not influence turnover intention. Zagladi et al. (2015) stated that there are four responses when an employee has reached employee job dissatisfaction, namely, voice (giving criticism to the organization...
openly), loyalty (patiently waiting for improvement conditions), neglect (low loyalty to the organization), and leaving (leaving the organization). Azeez, et al. (2016) also emphasized that intrinsic and extrinsic rewards are needed to satisfy the staff. Extrinsic rewards are considered more satisfying than intrinsic rewards. Some extrinsic rewards include a comfortable work environment, quality supervision, and salary. It turns out that when a company helps in increasing job satisfaction, it can reduce employee turnover intention to the organization.

**The Effect of Ethical Climate on Organizational Commitment**

Hypothesis 3 test shows the effect of ethical climate on organizational commitment with the original sample estimate value is \(O = 0.153\) and has 1.035 t-count. Since the t-count is smaller than the t-table value or \((1.035 < 1.96)\), hypothesis 3 is rejected. Ethical climate does not positively affect organizational commitment. The results of this study are different from Suhaiza (2015; Wu et al., 2015; Kaur dan Sharma, 2016). They stated that ethical climate had a significant positive relationship with organizational commitment and job satisfaction. Suhaiza (2015) Suhaiza (2015), in his findings, found that companies with an ethical climate of concern had a significant positive relationship with auditors' organizational commitment, while the types of instrumental and independent ethical climate had a meaningful negative relationship with organizational commitment. The results showed that the greater the type of ethical climate, the higher the organizational commitment. However, employees have a lower commitment when associated with greater perceptions of the kind of ethical climate that is caring, instrumental, and independent. Meanwhile, the two types of ethical climate (laws and codes and rules) are not significantly related to organizational commitment. It turns out that companies in implementing an ethical climate must also differentiate and have policies and strategies related to the type of ethical climate to influence increasing organizational commitment.

**Effect of Job Satisfaction on Organizational Commitment**

Hypothesis 4 test reveals that the effect of job satisfaction on organizational commitment obtains the original sample estimate value of \(O = -0.188\) and has a 1.204 t-count. Since t-count is smaller than t-table \((1.204 < 1.96)\), hypothesis 4 is rejected. Job satisfaction does not significantly positively affect organizational commitment and is different from Aban et al. (2019; Top dan Tarcan, 2015; Ismail dan Razak, 2016), who found a significant positive effect on job satisfaction organizational commitment. Therefore, companies should pay close attention to employee job satisfaction. Top dan Tarcan (2015) stated that companies must create a comfortable working environment, safe and conducive funds, attractive financial and non-financial compensation, and pay attention to effective operating and communication procedures. Besides, it is necessary to pay attention to individual support, promotion, appreciation, and trust in employees to make employees satisfied and increase organizational commitment. Ismail dan Razak (2016) added that most employees view that intrinsic or extrinsic satisfaction is critical in increasing organizational commitment and supporting organizational goals and strategies.

**The Effect of Organizational Commitment on Turnover Intention**

Hypothesis 5 test reveals that the effect of organizational commitment on turnover intention obtains the original sample estimate value of \(O = 0.552\) and has a 3.740 t-count. Since t-count is greater than the value of t-table \((3.740 > 1.96)\), hypothesis 5 is accepted, meaning that organizational commitment positively affects turnover intention. This finding is
different from Hung et al. (2018; Tnay et al. (2013; Gatling et al. (2016) and reflects that having high organizational commitment cannot permanently reduce turnover intention. The higher the organizational commitment owned by the employees, the lower the employee turnover. Companies seem to need to look again at the types of organizational commitments (affective, normative, and sustainable) that contribute dominantly and reduce employee turnover—considering that companies must provide different policies in managing organizational commitment. This study identifies that employees with a higher commitment should have a lower level of absenteeism and have no impact on leaving the company. Besides, managers who feel valued by managers with a higher level of commitment due to their awareness of responsibilities have better involvement in the organization and are more innovative. Therefore, the managers should show appreciation for employee work units with a lower turnover intention.

The Mediating Effect of Organizational Commitment

Hypothesis 6 shows that organizational commitment does not mediate the ethical climate on the turnover intention with the original sample estimate value of $O = 0.085$ and has a 0.973 t-count. Since the t-count is smaller than the t-table value of $(0.973 < 1.96)$, hypothesis 6 is rejected, meaning that organizational commitment does not mediate the ethical climate on turnover intention. Hypothesis 7 test shows that organizational commitment does not mediate job satisfaction on the turnover intention with the original sample estimate value of $O = -0.104$ and has 1.121 t-count. Since t-count is smaller than t-table value or $(1.121 < 1.96)$, hypothesis 7 is rejected, meaning that organizational commitment does not mediate job satisfaction on turnover intention. It seems that organizational commitment in this study cannot be used as a mediator. The decline in the ethical climate experienced by employees will increase their desire to resign. Likewise, the higher the employee turnover will occur when the employee is decreasing organizational commitment.

CONCLUSION

Based on the results, the conclusions drawn include: (1) ethical climate had a significant negative effect on turnover intention, (2) job satisfaction did not have a significant positive effect on turnover intention, (3) ethical climate had no positive effect on organizational commitment, (4) job satisfaction had no positive effect on organizational commitment, (5) organizational commitment had a significant positive effect on turnover intention, (6) organizational commitment was unable to mediate the effect of ethical climate on turnover intention, and (7) organizational commitment was unable to mediate the effect of job satisfaction on turnover intention.

This research can contribute to strengthening theories related to turnover intention. A positive ethical climate and increased job satisfaction can add theoretical enrichment in reducing turnover intention and increasing employee organizational commitment. Managers need to have clear and transparent strategies, policies, and procedures to create and implement an ethical climate. They must also increase job satisfaction with methods and ways to motivate employees to have a higher performance. It is necessary to identify strategies and types of organizational commitment that are right and make a significant contribution to employees so that turnover intention decreases and ultimately. The company's performance is expected to increase and compete with other companies above average.
REFERENCES


