# The Effect of Workplace Spirituality and Ethical Climate on the Corporate Sustainability Performance of Retail Chain Stores in Thailand

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Abstract---The recent literature in management has highlighted the significant and prominent role of workplace spirituality in enhancing organizational performance. However, the literature provides little attention towards the interdependency of internal, i.e., workplace spirituality and external factors, i.e., the ethical climate in developing and enhancing corporate sustainability performance. Therefore, to fill this gap, the present study was conducted with an aim to assess the direct effect of i) workplace spirituality on ethical climate, ii) ethical climate on corporate sustainability performance and indirect effect of iii) ethical climate in the relationship between workplace spirituality and corporate sustainability performance. By collecting the data from 326 employees of 63 retail stores in Thailand, the study finds found empirical backing to support several hypotheses. First, the workplace spirituality is proved to be an important antecedent of ethical climate. Second, the corporate sustainability is significantly predicted by ethical climate. Finally, the ethical climate mediates between the relationship of workplace spirituality and corporate sustainability performance. The study also possessed the practical implications for owners and managers of retail stores in Thailand.

Keyword----Workplace Spiritualty, Social Cognition, Ethical Climate, Corporate Sustainability Performance

# I. Introduction

Recently in business management research, the scholars have shown an increasing interest towards spirituality. Most studies have focused on workplace spiritualty (WS) and spiritual leadership(Afsar, Badir, & Kiani, 2016; Petchsawang & Duchon, 2012). Specifically, corporate sustainability (CS) is burgeoning in organizational literature and the connection between WS and CS is essential as scared values can attribute one's perspective of the workplace environment (Beehner, 2019; Zappalà, 2010). However, a limited research has been done that explore the relationship between workplace spirituality and corporate sustainability (Barron & Chou, 2017; Suriyankietkaew & Kantamara, 2019). Furthermore, most, spirituality research has been done by focusing on specific religion such as Hinduism, Christianity, Islam, and Buddhism (Rahmawati, Jiang, Law, Wiranatha, & DeLacy, 2019). Notwithstanding, the workplace spirituality should be considered as a general phenomenon without binding to any specific religion.

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Concerns in business have significantly augmented in the past few years due to increasing debate regarding CS(Shah & Rahim, 2019a). The unethical activities of business concerns have been observed in the last decades that were considered as the basis of corporate scandals affecting business performance adversely(Shah & Rahim, 2019b). Similarly, unethical activities affect the organizational social and environmental performance as well. For instance, to save the cost or increase profit margins, a firm may produce substandard or low-quality products and adopt the hazardous production process(Belz & Binder, 2017). Several prior studies have discussed the role of business ethics in enhancing corporate sustainability, but its link with workplace spirituality has been rarely explored (Suriyankietkaew & Kantamara, 2019).Ethical business behaviors mostly depend upon the ethical climate (EC) prevailed in the organization. It implies that more the level of EC prevails in the organization, the more will be the CS performance (Duane Hansen, Dunford, Alge, & Jackson, 2016). It is also the fact that in this regard, most of the research has been done in the context of the developed country whereas, a limited literature is found in developing countries(Rahmawati et al., 2019).

According to economic review 2018, Thai retail industry is getting for challenging due to increased competitions and social voidances that are faced by followers of different religions, specifically Islam. Several encounters and attacks on Muslims are observed in the south of Thailand in recent years. This could disturb not only the security situation but also affect the economic situation of the country. Thailand retail market is of USD 196 billion, and its growth in the last five years is the lowest, i.e. 8.2%. Despite liberal retail policies by the Thai government, its growth is still restricted by several factors. Therefore, this study has focused retail chain stores in Thailand and aims to study the linkages among WS, EC, and CS in the Thai context.

# II. Literature Review Workplace Spirituality

In its development stages, the concept of spirituality was discussed in the context of religion. However, to experience the meaningfulness of life, it is important to explore the purpose of a job that one is performing to fulfill his life obligations (Fourie, 2014). WS not only assist an individual in realizing his job purposefulness but also increasing the commitment, uniqueness, and motivation. Therefore, WS, enables the employees to focus on their work by enhancing their inner satisfaction through meaningfulness of work. Similarly, when employees align their spiritual or inner-values with a group such as a workplace or organization, they involve themselves more in ethical activities (Madden, 2015).

Past studies have explained the positive effect of workplace spirituality on several individual factors such as employee behaviors, job satisfaction, reduced intentions to leave, and organizational commitment. However, there is a lack of research in the context of WS that focuses on psychological factors that are aligned with persons sacred values in explaining their behavior. Besides this, the literature also indicated the positive impact of WS on organizational outcomes such as business performance (Lee & Ha-Brookshire, 2017).

# **Ethical Climate**

The prevalent perceptions of employees regarding the fair treatment in an organization are referred to as EC (Victor & Cullen, 1988). It is a set of individual's psychological patterns linked with their belief and values through which someone judges a moral phenomenon (Martin & Cullen, 2006). Therefore, in organizations where the level of the ethical climate remains high, the employees behave more ethically than otherwise. In other words, the employees

relating to organizations with low levels of ethical climate are involved in unethical activities affecting the business performance adversely. Hence, the ethical climate is directly associated with the organizational outcome (Simha & Cullen, 2012).

Previously, several scholars defined EC from a different perspective. Initially, in defining EC Victor and Cullen (1987, 1988) focused on only one dimension (i.e., moral judgment) of Rest's ethical decision making model that was explained in cognitive moral development (CMD) theory. They define nine ethical codes that may exist in an organization. In addition to this, Arnaud (2006a)presented the ethical work climate theory that considers all the four dimensions of CMD theory in defining the EC. These dimensions include collective moral sensitivity, collective moral judgment, collective moral motivation, and collective moral character.

#### **Corporate Sustainability Performance**

CSP is referred to as the performance of the organization's strategies and operations regarding sustainability (Wijethilake, 2017; Chienwattanasook & Jermsittiparsert, 2018). In order to achieve the optimum level of organizational sustainability performance, a firm must incorporate and integrate the strategies among all the dimensions of CSP, i.e. corporate environmental sustainability, corporate economic sustainability, and corporate social sustainability(Dyllick & Hockerts, 2002). The organization's initiatives regarding environmental protection through green production processes are known as corporate environmental sustainability. Similarly, corporate social sustainability is the activities initiated to safeguard the interest of society, and the corporate economic sustainability is denoted as the organizational efforts to continuously maximize the shareholders wealth (Bansal, 2005; Wijethilake, 2017).

The initiatives of management regarding corporate sustainability bridges the gap between shareholder, society, and the environmental stakeholders. Increasing attention by the United Nations regarding sustainability issues calls the organizations to focus on all its dimensions in the context of organizations. One of the reasons for increasing focus on corporate sustainability is that the overall sustainable development is not possible without the efforts of the corporation(Bansal, 2005; Dyllick & Hockerts, 2002). One main reason for this argument is that the increased industrialization harmed the environment through waste, hazardous production processes, and pollution.

#### **Theoretical framework**

The theoretical foundations of the present study lie in the social cognitive theory (SCT) (Bandura, 1989). Martin et al. (2014) explained that "SCT estimates the ability of an individual to engage in a targeted behavior, based on internal and external parameters and their interrelationships" (p. 2). The SCT argues about the interconnectivity of personal, environmental, and social behaviors. It states that the individual's psychological patterns derive their ability to judge a moral phenomenon (Bandura, 1989). Thus, "social cognitive theory adopts an interactions perspective to moral phenomena and presents a frame work in which personal factors, such as moral thought and affective self-reactions, moral conduct and environmental factors all operate as interacting determinants that influence each other in determining outcomes" (Bandura1986,p. 2). Specifically, SCT suggest that there are several psychological factors that are linked with the individual inner-self values that drives the individual's behavior. Thus, the external factors such as organization's farcicalities, environment and management just behavior with employees supports the employees' ethical behaviors.

Therefore, based on SCT, the present research posited in figure 1 that employees' ethical behaviors are contingent on the internal (i.e.,WS) and external factors (i.e., environment). After synchronizing the internal and external factors, the employees involved in ethical behaviors that develop the overall ethical climate in the organization. We further, posited that by aligning the personal and organizational values, the employee helps the organization in attaining the optimum level of organization sustainability or CSP by developing EC in the organization.



#### Figure 1:Research Framework

#### **Hypotheses Development**

WS facilitate individuals to actualize they acquire an intrinsic and extrinsic life, communicate meaningfulness, and purposeful job as well as cater a perception of society without any self-interest (Ashmos & Duchon, 2000). In line with this, Paloutzian, Emmons, and Keortge (2003)argued that the person who has high levels of WS have more involved in the work not only to achieve organizational goals but to satisfy his inner-self. Moreover, EC is the collective perception of employees about the ethical norms that prevail in their organizations (Arnaud, 2010). Therefore, WS enables employees to handle ethical dilemmas efficiently and effectively (Paloutzian et al., 2003). Recently several studies have established the link between WS and EC in different contexts (Haldorai, Kim, Chang, & Li, 2019; Nair & Sivakumar, 2018; Otaye-Ebede, Shaffakat, & Foster, 2019). They argued that spirituality enforces individuals to work for other welfare regardless of the self-interest of individuals that leads to ethical climate. Therefore, based on these arguments, it is hypothesized that:

Hypothesis 1: WS has significantly associated with EC.

EC is considered as one of the most important predictors of CS (Valentine, Godkin, Fleischman, Kidwell, & Page, 2011). Though many prior studies have inferred the behavioral constructs such as affective commitment and job satisfaction as antecedents of CS but, scholars also found these constructs as an outcome of EC (Valentine et al., 2011). For instance, when employees identify the ethical climate of their organization, their commitment and satisfaction level enhanced accordingly that leads towards CS performance. (Abou Hashish, 2017). Similarly, Ensher, Grant-Vallone, and Donaldson (2001) explained that when employees are treated justly and fairly, consequently their involvement in achieving sustainability oriented goals. In other words, the employees who are treated unfairly by their managers have low levels of sustainability-oriented behaviors that result in low CS performance (Carmeli, Brammer, Gomes, & Tarba, 2017). Therefore, its hypothesized that:

Hypothesis 2: EC has significantly associated with CSP.

In line with the above discussion, the person with high levels of WS, imitate their restrictive model which broadens their ethical vision and develop their level of moral judgment(Haldorai et al., 2019). Ethical decision making enables individuals to take part in normative activities such as CS; initiated by their organization. Therefore, EC is necessary in an organization, in order to develop the employees collective level of moral judgment, consequently enhancing

their level of ethical decision making (Arnaud, 2006b). Individuals involved in the CS not only as a job but recognizing its normative foundation and aligning it with their spiritual values (Chawla & Guda, 2013). EC empowers the individual cognition to decide which activity is right and will satisfy their inner-self(Victor & Cullen, 1988). Therefore, it is hypothesized that:

Hypothesis 3: EC mediates the relationship between WS and CSP.

#### III. Methodology

The present study is quantitative and cross-sectional in nature as the data was collected from the respondents at one point in time. The respondents of the study were the employees of the large retail chain stores of Thailand. The total of 650questionnaires was distributed in 63 stores in Thailand according to the proportion of their number of employees. The data was collected through questionnaires that were given to the front desk of each store that was asked to provide to the employees that were interested in participating in the study. A time of one week was given to fill the questionnaires, and after one week the questionnaires were collected from the front desks of the stores. Out of the total, the 326 questionnaires were received that constituted a 50.1% response rate.

#### Measures

The perceptions of employees regarding WS were measured by the scale developed and validated by (Roh & Suh, 2014). This scale comprised of 5 factors that include 5 items of inner-life towards oneself, 5 items of calling towards one's work, 5 items for empathy towards one's colleagues, four items for community towards one's organization and four items for transcendence above and beyond one's ego. WS questions were measured at a Likert scale ranging from 1 (not at all) to 5 (always very well). Further, the perceptions of employees were measured through 3 items adapted by (Duane Hansen et al., 2016) from the original scale of (Mayer, Nurmohamed, Treviño, Shapiro, & Schminke, 2013).To measure corporate sustainability performance, three scales were adopted from the study of Bansal (2005) corporate environmental performance, corporate social performance, and corporate economic performance. In the current study, all the questions in the questionnaire were measured by using the Likert scale in the following range strongly agree=1 to strongly disagree=5. All of the collected data was analyzed by SmartPLS 3 through partial least square structural equation modeling (PLS-SEM).

#### IV. Data Analyses

# **Construct Reliability and Validity**

It is necessary to establish the construct reliability and validity before assessing the research model(Hair, Sarstedt, Hopkins, & Kuppelwieser, 2014). Therefore, first, we assessed the convergent validity and discriminant validity of the measurement model. Table 1 explains the measurement model of the study. For the outer model, all the factor loadings were higher than 0.5 that is required for establishing the reliability of the indicators. All the constructs have Cronbach's alpha > 0.70, average variance extracted (AVE) > 0.5 and composite reliability (CR) > 0.60 that established the convergent validity of the model (Hair, Hult, Ringle, & Sarstedt, 2014).

Similarly, to ensure the convergent validity of the inner model, all the standardized loadings were squared and divided by their total number to get the AVE of second order / higher order or hierarchical construct. The AVE and *CR* of two second order constructs, i.e. WS and CSP were 0.53, 0.85 and 0.51, 0.75. For discriminant validity, in the fornell and larcker criterion, the diagonal values show the square of AVE that must be greater than the constructs'

correlation with other variables and Heterotrait-Monotrait Criterion values must be less 0.85 (Hair, Hult, Ringle, & Sarstedt, 2017). Similarly, the results of the fornell and larcker criterion and Heterotrait-Monotrait Criterion are shown in Table 2 and Table 3 have established the discriminant validity of the construct.

Construct		Items	Loading	Loading Cronbach's		AVE	Item(s)
Construct		items	S	Alpha	CR	AVE	Deleted
		CEco	Р		0.78		
		1	0.776	0.749	3	0.548	CEcoP4
Corporate Performance	Economic	CEco	Р				
		2	0.774				
		CEco	Р				
		3	0.664				
		CEnv	Р				CEnvP1
		3	0.818	0.852	0.9	0.693	,
		CEnv	Р				CEnvP2
Corporate	Environmental	4	0.831				,
Performance		CEnv	Р				CEnvP7
		5	0.876				,
		CEnv	Р				
		6	0.801				CEnvP8
		C01	0.755	0.747	0.84	0.568	
Community	Towards One's	CO2	0.758				
Organization		CO3	0.701				
		CO4	0.798				
		CSoc	P		0.85		
		1	0.814	0.787	5	0.545	CSocP6
		CSoc	р				
		2	0.681				
Corporate	Social	CSoc	P				
Performance		3	0.796				
		CSoc	P				
		4	0.789				
		CSoc	P				
		5	0.587				
					0.88		
Calling Tow	ards One's Work	CW1	0.813	0.843	8	0.614	
Culling 100							

Table 1:Measurement Model	I
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Performance*	P CSocP	0.640 0.820				
Corporate Sustainability	CEnv	0 ( 40				
	CEcoP	0.660		0.75	0.51	
	TE	0.645				
	IL	0.652				
Workplace Spirituality*	EmC	0.681				
	CW	0.809				
	СО	0.830		0.85	0.530	
	TE4	0.612				
Beyond One's Ego	TE2	0.719				
Transcendence Above and	TE1	0.814	0.731	1	0.518	TE3
	-			0.76		
	IL5	0.783				
	IL3 IL4	0.770				
Inner Life Towards Oneself	IL2 IL3	0.782				
	IL1 IL2	0.778	0.007	v	0.000	
	IL1	0.785	0.839	6	0.608	
	LIICJ	0.005		0.88		
	EmC4 EmC5	0.792				
Colleagues	EmC3 EmC4	0.746 0.792				
Empathy Towards One's	EmC2	0.718				
Encetter Terrete Or '	EmC1	0.743	0.819	3	0.580	
	F (1	0 7 4 2	0.010	0.87	0.500	
	EC3	0.818				
	EC2	0.796				
Ethical Climate	EC1	0.746	0.707	0	0.620	
				0.83		
	CW5	0.764				
	CW4	0.767				
	CW3	0.776				

\*Second-Order Construct

Table 2: Fornell and I	Larcker Criterio	n for Discriminant	Validity
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CEco	CEnv	CO	CSoc	CW	EC	EmC	п	TE
Р	Р	CO	Р	Cw	EC	EmC	IL	TE

CEco	0.740								
Р	0.7.10								
CEnv P	0.050	0.832							
СО	0.154	-0.001	0.754						
CSoc P	0.361	0.136	0.125	0.739					
CW	0.153	-0.020	0.080	0.188	0.784				
EC	0.297	0.012	0.156	0.263	0.171	0.787			
EmC	0.220	0.050	0.791	0.200	0.069	0.228	0.762		
IL	0.139	-0.069	0.113	0.192	0.878	0.147	0.129	0.780	
ТЕ	0.229	0.044	0.193	0.248	0.190	0.761	0.269	0.178	0.720

**Note:** CEcoP = Corporate Economic Performance, CEnvP = Corporate Environmental Performance, CSocP = Corporate Social

Performance, CO = Community Towards One's Organization, CW = Calling Towards One's Work, EC = Ethical Climate,

EmC = Empathy Towards One's Colleagues, IL = Inner Life Towards Oneself, TE = Transcendence Above and Beyond One's Ego

	CEco P	CEnv P	СО	CSoc P	CW	EC	EmC	IL	TE
CEco									
Р									
CEnv P	0.107								
CO	0.227	0.114							
CSoc P	0.518	0.182	0.195						
CW	0.220	0.061	0.132	0.228					
EC	0.470	0.056	0.251	0.358	0.216				
EmC	0.313	0.088	1.014	0.238	0.109	0.295			
IL	0.211	0.106	0.154	0.233	1.041	0.183	0.152		
ТЕ	0.408	0.070	0.333	0.410	0.295	1.243	0.396	0.265	

Table 3: Heterotrait-Monotrait Criterion for Discriminant Validity

**Note:** CEcoP = Corporate Economic Performance, CEnvP = Corporate Environmental Performance, CSocP = Corporate Social

Performance, CO = Community Towards One's Organization, CW = Calling Towards One's Work, EC = Ethical Climate,

EmC = Empathy Towards One's Colleagues, IL = Inner Life Towards Oneself, TE = Transcendence Above and Beyond One's Ego

# **Hypotheses Testing**

In order to test the hypotheses, PLS-SEM was applied using Smartpls 3.0. The results of the structural model were extracted from the bootstrap procedure, whereas the results of predictive relevance were assessed through blindfolding procedure. The model contains two endogenous variables, i.e. EC (*mediator*) and CSP (dependent variable). The value of the coefficient of determination  $R^2$  and predictive relevance  $Q^2$  of the endogenous variable is 0.32, 0.164 and 0.28, 0.160 respectively that passed the substantial criteria (Henseler, Ringle, & Sarstedt, 2012). Moreover, Table 4 presented the results of PLS bootstrap algorithms that confirms the significant direct relationship of WS with EC ( $\beta = 0.34$ , t value = 4.92, p value = 0.00), and EC with CSP ( $\beta=0.306$ , t value = 4.46, p value = 0.00). The findings also confirm the significant indirect effect of EC between the relationship of WS and CSP ( $\beta = 0.104$ , t value = 3.27, p value = 0.00). Therefore, all the hypotheses of the study are supported by the results of the PLS-SEM.



Figure 2: Estimations of Structural Model

**Note:** CEcoP = Corporate Economic Performance, CEnvP = Corporate Environmental Performance, CSocP = Corporate Social

Performance, CO = Community Towards One's Organization, CW = Calling Towards One's Work, EC = Ethical Climate,

EmC = Empathy Towards One's Colleagues, IL = Inner Life Towards Oneself, TE = Transcendence Above and Beyond One's Ego, WS = Workplace Spirituality, EC = Ethical Climate, CSP = Corporate Sustainability Performance

	140	ie mijpoulose	5 results			
Doto	СЕ	T Voluo	D Voluo	CI <sup>BC</sup>	CI <sup>BCa</sup>	Decision
Deta	5.E	S.E. I value	r value	<sup>a</sup> Low	High	Decision
0.340	0.068	4.982	0.000	0.196	0.453	Supported
0.306	0.069	4.463	0.000	0.142	0.415	Supported
0.104	0.032	3.270	0.001	0.044	0.175	Supported
	0.306	Beta S.E   0.340 0.068   0.306 0.069	Beta S.E T Value   0.340 0.068 4.982   0.306 0.069 4.463	0.340 0.068 4.982 0.000   0.306 0.069 4.463 0.000	Beta S.E T Value P Value CI <sup>BC</sup> <sup>a</sup> Low   0.340 0.068 4.982 0.000 0.196   0.306 0.069 4.463 0.000 0.142	Beta S.E T Value P Value CI <sup>BC</sup> CI <sup>BCa</sup> 0.340 0.068 4.982 0.000 0.196 0.453   0.306 0.069 4.463 0.000 0.142 0.415

Table 4: Hypotheses Results

Note: WS = Workplace Spirituality, EC = Ethical Climate, CSP = Corporate Sustainability Performance

\* Significance level < 0.05

#### V. Discussions and Conclusion

After the world economic crises in the first decade of 20<sup>th</sup> century, a lot of studies have been done to investigate the factors that mitigate the unethical behaviors of organizations, that directly impact the employee's behaviors towards their jobs. Mostly past studies have explored the organizational factors that may trigger the ethical behaviors of organizations(Newman, Round, Bhattacharya, & Roy, 2017). However, the individual factors have more impact on employees' ethical behaviors (Appelbaum, Deguire, & Lay, 2005). Therefore, the present study aimed to examine the direct effect of WS on EC and EC on CSP. It also examines the indirect effect of EC among the relationship between WS and CSP. The findings of the study suggested that WS is an important predictor of EC. It implies that the individuals with high spiritual values have more tendency to judge moral phenomena than others. In other words, the individuals' level of moral sensitivity and judgments are in congruence with their sacred values and beliefs. These findings are in line with the study of Otaye-Ebede et al. (2019) who argued that Similarly, WS is a direct explanation of the ethical conducts of employees in performing their routine organizational tasks.

Moreover, the findings of the study also inferred the EC drives the CSP. It is the fact that CS is an ethical phenomenon there for by performing ethical activities the organization may develop the EC that assist them in achieving their sustainability-oriented goals and in attaining the optimum level of CSP. These studies are consistent with previous studies of Blome and Paulraj (2013) and Guerci, Radaelli, Siletti, Cirella, and Rami Shani, (2015) and Lee and Ha-Brookshire (2017), who argued that employees ethical behaviors are a critical driver to have positive outcomes of the initiatives of organizations regarding sustainability. Finally, the present research also assessed the indirect effect of EC in the relationship between WS and CSP and found empirical evidence of the significant impact of said association. These findings explain that involvement of employees in ethical behaviors depends upon the level of their sacred and spiritual values that further leads to enhance the organization's CSP.

# Implications of the Study

This study has targeted the retail chain stores in Thailand and possess several implications for the owners and managers. The struggle for survival of in the dynamic and volatile business environment is inevitable and continuous. Therefore, to enhance their competitive advantage and increase their market share, the retail stores in Thailand should focus on sustainability and upheld their efforts to achieve the optimum level of CSP. The higher levels of organizational ethical climate are an important contributor to enhance CSP. Therefore, management should develop

the EC by developing the sacred values among their employees. They should arrange training programs that should help the employees to recognize their spiritual values and to synchronize the ethical values of the organization. Through this process, the management will be able to develop a collective sense of ethical values among workers. Consequently, maintaining the ethical climate in the organization that leads to CSP. Moreover, the ethical behavior of employees helps the management in distinguishing among the good and bad employees that is an important factor for their appraisals.

### **Limitations and Future Research Direction**

The first limitation of the present study is the cross-sectional nature. Due to time and financial constraints, the data was collected at one point in time. Therefore, in order to get the causal inferences, the future longitudinal and time series studies must be conducted in this regard. Second, to meet the objective of the study, two variables, i.e., WS and CSP, are measured as a second order construct. However, in order to have deep insights into the concepts of the above-mentioned variables, it will be quite interesting to assess them unidimensional. It will explain the indirect effect of EC climate on each dimension of WS and CSP. Finally, the future studies should expand this research by controlling the demographic variables to assess the influence of workforce diversity on the research model.

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