

The Influence of Perceived Moral Intensity, Ethical Perception, and Ethical Managers' Judgment on the Managers' Spirituality on the Banking Institutions in Indonesia

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Abstract

The prime objective of the existing study is to examine the influence of perceived moral intensity, ethical perceptions and ethical managers' judgment on the managers' spirituality in the banking sector of Indonesia. The employees that are currently working in the private banks are the respondent and data collected by questionnaires and data analysis were conducted by using PLS-SEM. The findings proved that perceived moral intensity, ethical perceptions, and ethical managers' judgment have a positive influence on the managers' spirituality. These findings give insight to the new researchers as well as the regulators that they should emphasize on the perceived moral intensity, ethical perceptions, ethical managers' judgment and managers' spirituality that is necessary for the improvement of organizational performance.

Keywords: Perceived Moral Intensity, Ethical Perceptions, Ethical Managers' Judgment, Managers' Spirituality

Introduction

Religiosity and spirituality have been found as both have a significant impact on the behavior or the attitude of the in all parts of the world throughout the history of humans (Barnett, 2001). Spirituality and religion have been found to remain since the birth of the human. However, both of them have been further found to be the greater predictors of the universal changes with respect to the corporate world (Adeyemo & Adeleye, 2008). Therefore, from the prior two decades, the research studies regarding spirituality and religion have been increased with the interest of management research. In this regard, the prior studies have highlighted that both constructs are interrelated to each other and therefore, the research studies attracted to both paradigms to link them in order to develop an update construct that possibly will impact the organizational culture of the corporate world. For this, the significant upsurge in the special issues, books, conferences, research articles, cover stories from

business magazines, meetings, and other special courses have tended to explain the increasing attention of the religion and spirituality with respect to the workplace (Cavanagh, 1999).

However, religion has found to be approached with respect to caution while spirituality has been the most acceptable approach in the workplace, even though the roots of spirituality have been historically linked with the religion (Issa & Pick, 2011). The comprehensive definition of spirituality has been provided by Giacalone and Jurkiewicz (2003), who stated that it is “the individual’s drive to experience transcendence, or a deeper meaning to life, through the way in which they live and work”. More precisely, this definition has been indicating that the individual’s experience regarding the work tends to explain their balance of life. This ultimately leads toward the ethics of behaving to each other at workplace.

Business ethics refers to the moral values of the managerial system of the organization and such values play a critical role in the development of the organization (Jones, 1991). In this regard, the prior studies have to indicate that business ethics comes from the culture of the organization that ultimately build by the managerial system of the organization in the organizational boundary, have a significant impact on the ethical behavior of the workforces (McEvily, Das, & McCabe, 2000). While the ethical behavior of the managerial system influenced by the spirituality in the organization. Therefore, organizations should need to consider the factors of spirituality that have a direct impact on the ethical behavior of the managers. In the prior studies, it has been found that spirituality has been discussed with the religion or with the behavior in order to develop the dimension of ethical leadership (Zhou, Brown, Dev, & Agarwal, 2007). While it has been shown that ethical behavior comes from spirituality. Therefore, this study tends to fill this gap by providing a significant theoretical framework. Furthermore, the prior studies highlighted that spirituality with respect to the ethical behavior of the manager has led the organization to accomplish sustainable goals and ultimately to stay more sustainable organization in the respective industry and through this, the respective organization will play key role in the economic development of the state.

The word ‘spiritual’ comes from the Sanskrit word ‘Atman’ which refers to soul, self or spirit (McLaughlin, 2005). Although the word historically linked with religion. Therefore, there are some factors that tend to explain the spirituality having by the people in the organization. As shown in the following figure, such factors include coping, peace, comfort, and health. All of these factors linked religion and spirituality to each other which ultimately explains the ethical behavior of the individuals in the organization.

The prior studies have shown that organization in the united states have spent their specific portion of earning in order develop the spiritual behavior in the managers of the organization which ultimately demonstrate the ethical behavior in the boundary of the organization and through this ethical standard can be formed in the organization (Sparks & Pan, 2010; Yeung, 2004). However, the average spending of the organization has been presented in the subsequent table as, for coping, peace, comfort, and health, organizations averagely spending 25%, 29%, 19%, and 33% respectively.

Table 1: The spending of Organizations on Spirituality

Factors of Spirituality	Organizational Spending
Coping	25%
Peace	29%
Comfort	19%
Health	33%

The prior studies have indicated that spirituality plays a significant role in the development of the managerial system of the organization (Piedmont, 2001). While in this current era, the higher level of the turnover rate in the organization also the reasons of lack of ethical

standard in the organization and the managers have not sufficient ability to resolve the ethical issues which exist in the organization. Such ethical issues could be resolved through appropriate spirituality in the managerial system of the organizations. Furthermore, the manager's ethical perception, intentions, and behavior found to be a significant predictor of organizational success. Therefore, this study designed to investigate the impact of a manager's spirituality on the manager's perceived moral intensity, ethical perception, judgment, and intention.

Literature Review

This section presents the literature regarding the understudy variables such as perceived moral intensity, ethical perceptions, ethical managers' judgment, and managers' spirituality and also the links among them in the following subsections.

Defining Spirituality

The word spirituality or spiritual comes from the Sanskrit word 'Atman' which refers to explain the self, soul or spirit of the individuals. However, more precisely, spirituality refers to the spirit of treating others in the organization. Though, the prior studies have tended to explain the spirituality in the organization with respect to the cognitive, emotional or purely physical level of the individuals. However, Piedmont (2007) have defined spirituality as "an individual's efforts to construe a broad sense of personal meaning within an eschatological context". Therefore, it can be observed from this definition that humans are aware of the strive and mortality to develop a positive sense in the meaning and purpose of their lives. While in the scale of "spiritual transcendence scale", Piedmont have comprises three subscales in this scales, such subscales include, 1) prayer fulfillment which tends to explain the human feelings regarding joy or contentment which explain their reality, 2) universality, which tends to explain the nature of beliefs regarding life and 3) connectedness which tends to explain the 'orchestra', a common belief of the humans, it tends to explain the harmony in their lives (Piedmont & Leach, 2002).

However, in the literature, several researchers have tried to differentiate spirituality from religiosity. Religiosity refers to a structured system of practices, symbols, beliefs, and rituals. Similarly, Adeyemo and Adeleye (2008) described that religiosity means "having belief in and reverence for God and the participation in activities and practices in that faith, such as attending service/worship regularly and participating in social activities with people who share the same religious denomination". Besides this, spirituality refers to the individual's personal characteristics which formed through the experiences of life (Piedmont, Ciarrochi, Dy-Liacco, & Williams, 2009). So, it can mention that, spirituality id different from religiosity while spirituality's roots are linked with the religion.

Ethics and Spirituality in the Workplace

The prior studies regarding spirituality have focused on the managers or the leaders of the organization and explain the riles or guidelines they establish in the organizational boundary. However, prior studies supported that academic researchers and practitioners have a different point of view regarding the relationship between spirituality and business ethics (Ashmos & Duchon, 2000). Research studies regarding how practitioners use these paradigms to describe their association, which ultimately provides a clear picture of "spirituality and business ethics practices" in the milieu of the organization (Beck, Lazer, & Schmidgall, 2007). However, the analysis of the interview of several senior managers revealed that the connection between spirituality and business ethics is informal and diverse in terms of practices. While on the other hand, it becomes contrast to several academic scholars who tends to explain that relationship of spirituality and business ethics is similar and often interrelated In order to provide the clear meaning of "spirituality and business ethics", the prior studies unable to provide the clear understanding of the phenomenon (Ruhe & Lee, 2008). However, this study

provides a strong meaning of spirituality and business ethics, as ethics comes from the spiritual habits of the managers.

Ethics has been found as the crucial concept which plays a significant role in monitoring the behaviors of the individuals, further it is a system that deals with the ethical principles and rules of conduct (Neal & Biberman, 2003). More precisely, ethics means “believing in what is right or wrong; what is morally right or acceptable”. With respect to this, the prior studies have explored that business ethics is the source to determine the survival and profitability positions of the organizations. Therefore, competition increases in the industry, margins reduced, the capability to survive and compete with others will be the strongest predictor of the organizational quality and reliable customer services and delivery and further values like honesty or integrity (Cavanagh, 1999). The ethical environment of the organization can be distinct as it is the common appropriate modes of behavior, common norms and values which practices by the workforces of the organizations. The roots of business ethics deeply fall in duty-based ethics. With respect to the spirituality, ethics shared several values for the development of the business operation, firstly, it contemplates the business assembly as a human organization, secondly, it establishes the several standards in order to protect the rights of the shareholder, thirdly, it offers several ethical standards for the business and conduct assessment to determine whether such standards ethically contributed in the organization or not (Dursun & Morrow, 2004). Therefore, it will be important to declare that the spirituality of the managers creates value in ethical behavior.

Furthermore, the code of ethics plays a critical role in ethical behavior. In this regard, Zhou et al. (2007) identified 15 codes of ethics which also considered as the internal code of ethics, such ethics include avoiding lies, trust, honesty, fairness, appropriate declaration of financial situations, responsibility, cultural and social values, respecting to human resources of the organizations, commitment with agreements, support to organization’s mortality, offering equal opportunity for the employment growth, experiencing respect in the relationships, support to the eco-logical policies, organizational development, avoid from discrimination and treating fairness. However, (Piedmont et al., 2009) indicated that the spirituality of the managers has a significant influence on the code of ethics, while the code of ethics builds a standard of ethics in the organization which ultimately leads the organization to be more sustainable one in the industry.

However, very few studies have investigated the role of spirituality in the workplace conduct. While Giacalone and Jurkiewicz (2003) conducted a study to explore the relationship of spirituality with perception regarding ethical issues and findings supported their hypothesis and they stated that perception of ethical issues positively related to spirituality. Besides to this, several researchers have explored that spirituality is positively related to the perception of ethical issues, more precisely, “non-universalizability” describe the situation which arises through the respect conditions, “natural environment” which describe the situation that strongly impacted on the natural resources and “privacy” which describe the situation that establish to monitor the behavior of the employees.

However, numerous studies have tried to explain the impact of the manager’s spirituality on the different aspects of business ethics (Piedmont, 2007). In this regard, the studies have explained that the spirituality of the managers strongly related to ethical perception, ethical judgment, and ethical intentions. While it has been observed that the level of spirituality matters in these relationships and having a higher level of spirituality, managers will have a higher level of abilities to ethical judgment and ethical perception (Issa & Pick, 2011). Therefore, in regard, this study designed to investigate the level of manager’s spirituality on the moral intensity of the manager, and manager’s ethical perception, ethical judgment, and ethical intentions. So, based on the studied literature, this study proposed the following hypotheses.

H1: The perceived moral intensity of the managers will be positively related to a higher level of manager's spirituality in the banks of Indonesia.

H2: Ethical perceptions of the managers will be positively related to the higher level of manager's spirituality in the banks of Indonesia.

H3: Ethical manager's judgment will be positively related to their higher level of managers' spirituality in the banks of Indonesia.

Theoretical Framework

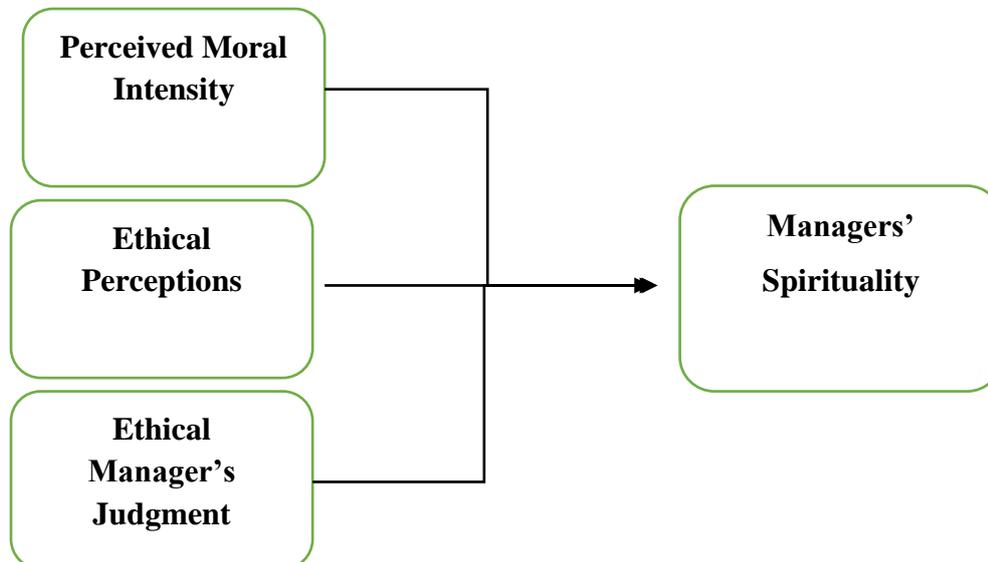


Figure 1: Theoretical Model

Research Methods

The prime objective of the existing study is to examine the influence of perceived moral intensity, ethical perceptions and ethical managers' judgment on the managers' spirituality in the banking sector of Indonesia. The employees that are currently working in the private banks are the respondent and data collected by questionnaires and data analysis were conducted by using PLS-SEM. The data were collected after getting permission from the trainer as well as managers of the training programs and through the questionnaire method. The main variable such as managers' spirituality (MS) has 10 items while the first independent variable namely perceived moral intensity (PMI) has 25 items. In addition, the second predictor such as ethical perceptions (EP) has 7 items and the third independent variable namely ethical managers' judgment (EMJ) has 12 items.

Findings

The findings exposed the reliability, validity and hypothesis testing. Firstly, convergent validity and reliability is checked. The reliability is checked by using the Alpha and values are higher than 0.70 that means valid reliability. In addition, convergent validity is checked by using loadings and AVE that are higher than 0.50 while CR are higher than 0.70 that means valid convergent validity. It is presented in below Table 2.

Table 2: Convergent Validity

Constructs	Items	Loadings	Alpha	CR	AVE
Managers' Spirituality	MS1	0.577	0.920	0.934	0.588
	MS10	0.786			
	MS2	0.766			
	MS3	0.843			
	MS4	0.645			
	MS5	0.811			
	MS6	0.798			
	MS7	0.782			
	MS8	0.815			
	MS9	0.803			
Perceived Moral Intensity	PMI1	0.833	0.962	0.966	0.558
	PMI10	0.804			
	PMI11	0.707			
	PMI12	0.832			
	PMI13	0.780			
	PMI14	0.758			
	PMI15	0.822			
	PMI16	0.781			
	PMI17	0.822			
	PMI18	0.806			
	PMI19	0.802			
	PMI2	0.779			
	PMI20	0.707			
	PMI22	0.776			
	PMI24	0.760			
	PMI25	0.816			
	PMI3	0.422			
	PMI4	0.470			
	PMI5	0.482			
	PMI6	0.476			
PMI7	0.837				
PMI8	0.821				
PMI9	0.823				
Ethical Perceptions	EP1	0.832	0.938	0.950	0.730
	EP2	0.861			
	EP3	0.856			
	EP4	0.821			
	EP5	0.874			
	EP6	0.874			
	EP7	0.862			
Ethical Managers' Judgment	EMJ1	0.782	0.930	0.933	0.540
	EMJ10	0.724			

Table 2: (Con.)

Constructs	Items	Loadings	Alpha	CR	AVE
	EMJ11	0.728			
	EMJ12	0.640			
	EMJ2	0.664			
	EMJ3	0.652			
	EMJ4	0.780			
	EMJ5	0.705			
	EMJ6	0.815			
	EMJ7	0.698			
	EMJ8	0.825			
	EMJ9	0.773			

The first and old method to check the discriminant validity is Fornell Larcker. The figures show that no problem with discriminant validity because the relationship with variable itself is stronger than the relationship with other variables that is the reason MS values 7.67 higher than the other values, similarly, PMI value 0.747 is more than the other values, likewise EP value 0.854 is higher than the rest of the values. Fornell Larcker method is given below in Table 3.

Table 3: Fornell Larcker

	MS	PMI	EP	EMJ
MS	0.767			
PMI	0.540	0.747		
EP	0.414	0.539	0.854	
EMJ	0.379	0.376	0.354	0.735

The second method to check the discriminant validity is cross-loadings. The figures show that no problem with discriminant validity because the relationship with variable itself is stronger than the relationship with other variables. Cross-loadings are presented below in Table 4.

Table 4: Cross-loadings

	MS	PMI	EP	EMJ
MS1	0.577	0.307	0.194	0.362
MS10	0.786	0.480	0.334	0.303
MS2	0.766	0.488	0.372	0.310
MS3	0.843	0.446	0.353	0.300
MS4	0.645	0.271	0.238	0.283
MS5	0.811	0.455	0.330	0.321
MS6	0.798	0.393	0.303	0.247
MS7	0.782	0.404	0.350	0.245
MS8	0.815	0.440	0.344	0.273
MS9	0.803	0.390	0.314	0.277
PMI1	0.477	0.833	0.374	0.282
PMI10	0.454	0.804	0.374	0.291
PMI11	0.341	0.707	0.345	0.249
PMI12	0.453	0.832	0.381	0.308

Table 4: (Con.)

	MS	PMI	EP	EMJ
PMI13	0.389	0.780	0.358	0.272
PMI14	0.406	0.758	0.346	0.307
PMI15	0.400	0.822	0.390	0.242
PMI16	0.304	0.781	0.359	0.210
PMI17	0.465	0.822	0.348	0.332
PMI18	0.473	0.806	0.378	0.309
PMI19	0.457	0.802	0.365	0.288
PMI2	0.299	0.779	0.364	0.208
PMI20	0.353	0.707	0.350	0.249
PMI22	0.393	0.776	0.363	0.272
PMI24	0.402	0.760	0.347	0.302
PMI25	0.401	0.816	0.391	0.241
PMI3	0.287	0.422	0.734	0.310
PMI4	0.388	0.470	0.616	0.212
PMI5	0.280	0.482	0.674	0.326
PMI6	0.263	0.476	0.664	0.312
PMI7	0.463	0.837	0.371	0.284
PMI8	0.453	0.821	0.368	0.301
PMI9	0.466	0.823	0.345	0.342
EP1	0.345	0.402	0.832	0.304
EP2	0.348	0.481	0.861	0.276
EP3	0.332	0.443	0.856	0.295
EP4	0.303	0.477	0.821	0.301
EP5	0.319	0.472	0.874	0.339
EP6	0.380	0.485	0.874	0.287
EP7	0.424	0.466	0.862	0.315
EMJ1	0.202	0.149	0.160	0.782
EMJ10	0.116	0.074	0.118	0.724
EMJ11	0.094	0.121	0.111	0.728
EMJ12	0.096	0.141	0.126	0.640
EMJ2	0.420	0.485	0.392	0.664
EMJ3	0.433	0.488	0.420	0.652
EMJ4	0.200	0.157	0.166	0.780
EMJ5	0.262	0.197	0.265	0.705
EMJ6	0.221	0.189	0.147	0.815
EMJ7	0.260	0.194	0.274	0.698
EMJ8	0.224	0.214	0.175	0.825
EMJ9	0.142	0.165	0.153	0.773

The third and latest way to test the discriminant validity is Heterotrait Monotrait (HTMT) ratio. The statistics show that no issue with discriminant validity due to values of ratio are less than 0.90. It is presented below in Table 5.

Table 5: Heterotrait Monotrait Ratio

	MS	PMI	EP	EMJ
MS				
PMI	0.562			
EP	0.437	0.597		
EMJ	0.323	0.306	0.298	

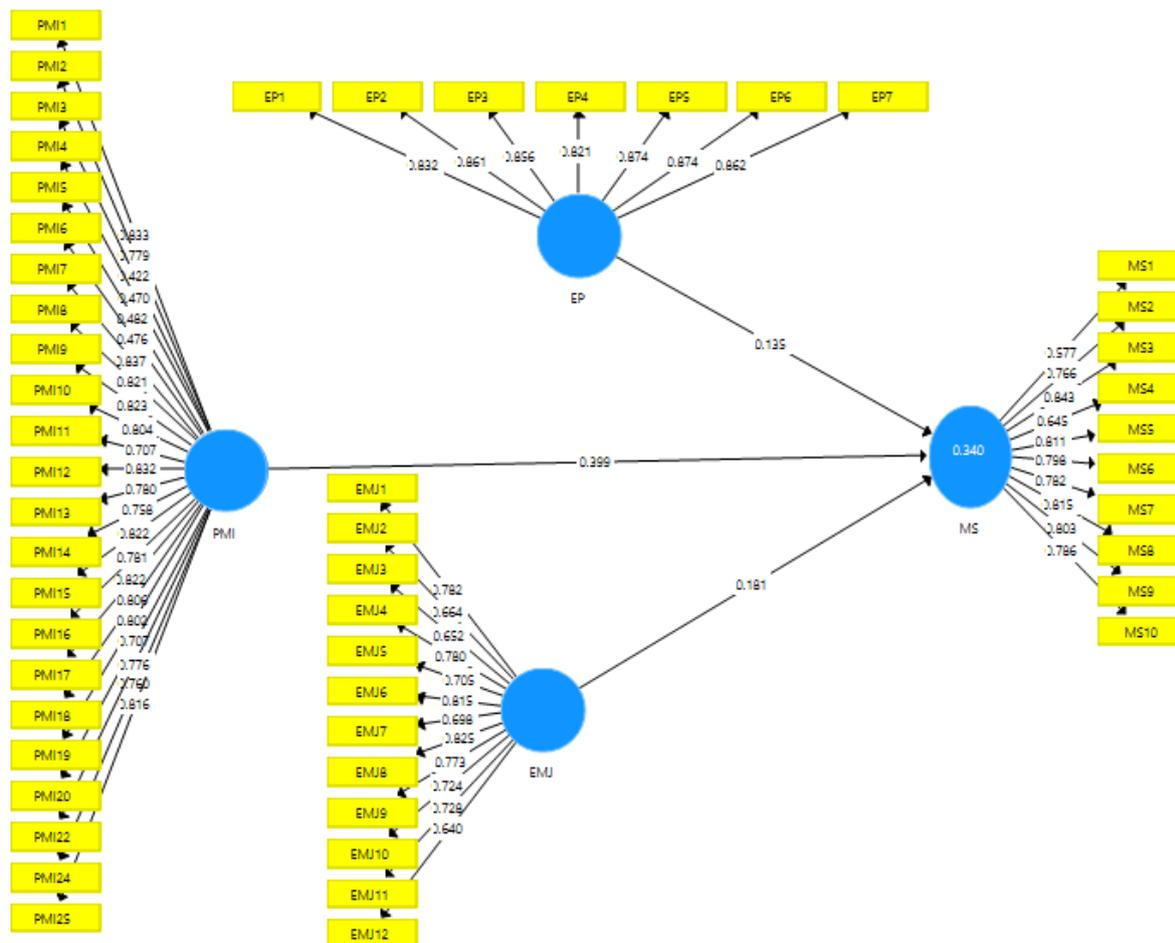
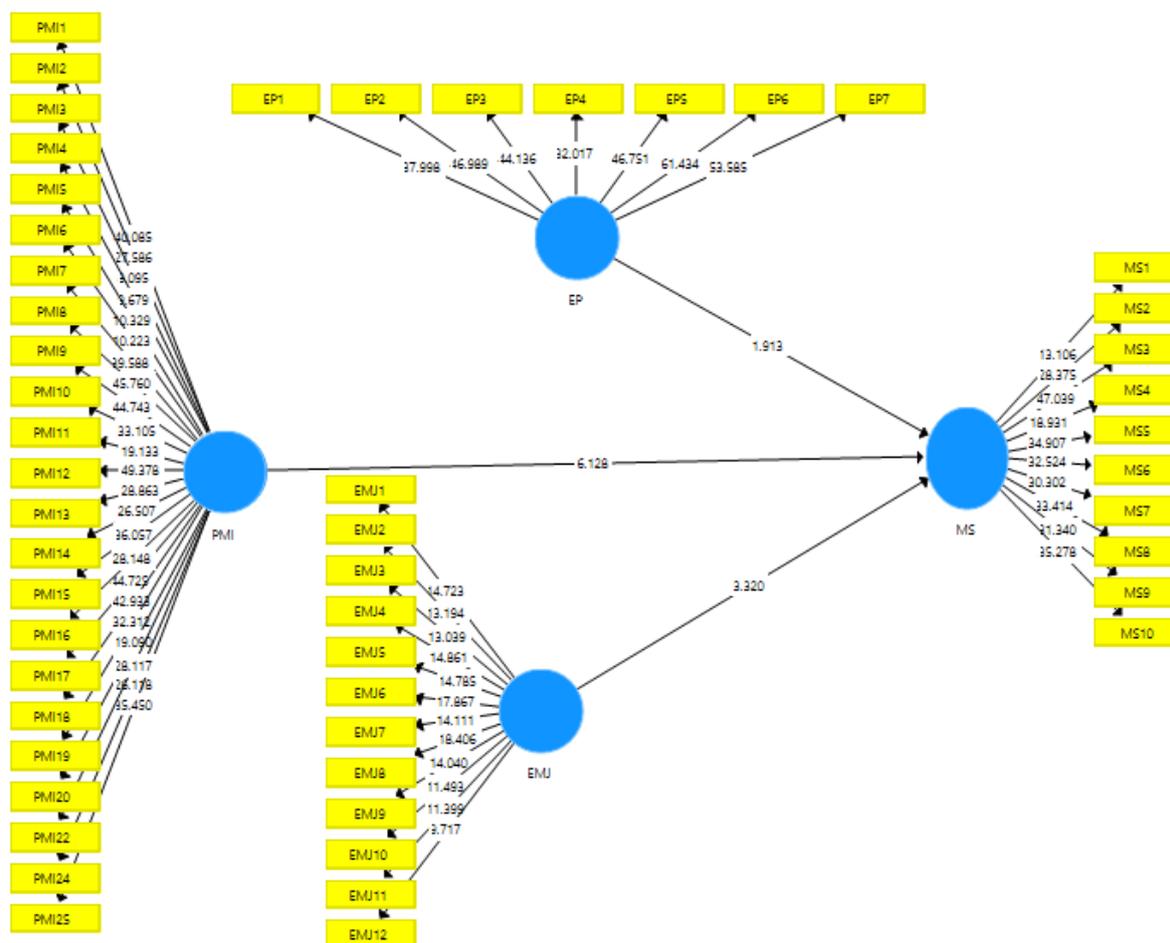


Figure 2: Measurement Model Assessment

The hypotheses testing is presented below and according to path analysis all the predictors such as perceived moral intensity, ethical perceptions and ethical managers’ judgment has positive link with managers’ spirituality because positive sign with beta. In addition, the links among the perceived moral intensity and managers’ spirituality, ethical perceptions and managers’ spirituality ethical managers’ judgment and managers’ spirituality are significant because probability values are less than 0.05 while t values are higher than 1.64 and no zero lies among the lower5 and upper limits. Moreover, if one unit increase in perceived moral intensity, the managers’ spirituality will also increase by 0.399 units and vice versa and accept the H1. Furthermore, if one unit increase in ethical perceptions, the managers’ spirituality will also increase by 0.135 units and vice versa and accept the H2. Similarly, if one unit increase in ethical managers’ judgment, the managers’ spirituality will also increase by 0.181 units and vice versa and accept the H3. The path analysis is presented below in table 6.

Table 6: Path Analysis

	Beta	S.D.	t-values	p-values	L.L.	U.L.
PMI -> MS	0.399	0.066	6.079	0.000	0.295	0.510
EP -> MS	0.135	0.071	1.912	0.028	0.014	0.255
EMJ -> MS	0.181	0.053	3.447	0.000	0.104	0.276

**Figure 3:** Structural Model Assessment

Discussions

The findings proved that perceived moral intensity, ethical perceptions and ethical managers' judgment have positive influence on the managers' spirituality. The banking sector of the Indonesia are implemented the effective ethics control in the organization that is the reason that banks of Indonesia are ethically strong and their managers are work with strong ethics that also enhance the performance of the banks. These findings gives the insight to the new researchers as well as the regulators that they should emphasis on the perceived moral intensity, ethical perceptions, ethical managers' judgment and managers' spirituality that is necessary for the improvement of organizational performance.

Conclusion

This study reach to the conclusion that the banking sector of the Indonesia are implemented the effective ethics control in the organization that is the reason that banks of Indonesia are ethically strong and their managers are work with strong ethics that also enhance the performance of the banks.

Limitation and Future Directions

The first limitation is that this study takes only three independent variables such as perceived moral intensity, ethical perceptions and ethical managers' judgment to predict the managers' spirituality and future study should add more factors in their study. The second limitation is that the current study did not take any moderation and mediation in the study while it is recommendation that the upcoming studies should add mediator or moderator in their analysis. Lastly, the results will be generalized only on the banking sector while other studies should add more sectors to increase the scope of their analysis.

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