“Effect of work environment on employee engagement: Mediating role of ethical decision-making”

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Abstract

Organizations are increasingly being responsible for providing good and healthy work environment that can help in supporting employees performing their duties. Supportive work environment can increase the degree of employee engagement, which in turn, makes them more attached to their roles. The purpose of the current study is two-folded: to investigate the effect of work environment on engagement, and to test ethical decision making as a mediator between environment and engagement.

Data were collected from a sample of 237 employees from transportation corporations listed on the Amman Stock Exchange (2019) in Jordan. Structural equation modeling was utilized to test the model. Results proposed that engagement was significantly related to work environment and ethical decision-making. Work environment has a greater effect on employee engagement than on ethical decision-making. Moreover, the effect of ethical decision-making on employee engagement was greater than the effect of work engagement on ethical decision-making.

Furthermore, the study yielded support for the claim that ethical decision-making played a significant role in the relationship between work environment and employee engagement. Therefore, employees having good working conditions and making ethical decisions tend to get higher levels of employee engagement.

Keywords
human resource, working conditions, decisions, engagement, illegal behavior

JEL Classification
015, J81, K42

INTRODUCTION

Organizations face challenges on how to build and increase the level of employee engagement. It can be considered as a competitive advantage if organizations recruit leaders who can have good social communications with their followers, and thus can stimulate employee engagement (Miller & Miller, 2020). Employee engagement can support competitive advantage since engaged employees are more productive in their work; thus, organizations management has to analyze its drivers (and antecedents) (Bedarkar & Pandita, 2014). Generating high degrees of employee engagement can be considered the key factor for management to enable them to achieve their goals.

Because employee engagement depends on many antecedents, such as management styles and practices, organizations can build and promote engagement. Besides, positive work environment can enhance the level of employee engagement. Employees need to have a healthy working environment, which can have an impact on organizational behaviors, such as, organizational commitment and engagement. Rožman et al. (2019) proved that working conditions contribute to improving work engagement.
Furthermore, the concept of ethical decision-making has been an area of interest for many practitioners and scholars because it is considered one of the main factors that affect employee behaviors in organizations. Jones (1991) proved that work environment could influence ethical decision-making. Ethical decisions are important issues in the case when uncertainty about solution options exists or when there is a conflict between ethics and demands of business stakeholders. Unethical decisions or actions, which may cost big damages to organizations or even society, proposed that ethical decision-making should be a vital issue for management.

This paper seeks to establish whether employee engagement is related to work environment, and whether ethical decision-making can be a mediator of the relationship between environment and engagement.

1. LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

1.1. Work environment

Work environment has been concerned with the climate where employees perform their duties (Hanaysha, 2016). Briner (2000) stated that work environment includes physical setting, characteristics of the job itself, broader organizational features as culture, and extra organizational setting as work-home relationships.

Engkvist (2010) focused on physical and psychosocial work environment for the employees at recycling centers in Sweden, where work environment was investigated; it was described how they were perceived by employees, and further proposals for improvement were identified. The physical work environment is concerned with the placement of lighting, desk color and placement, temperature, and workspace design, layout of equipment. An open-office environment that increases the communications between employees may make employee interaction better.

The psychosocial work environment is a combination of the psychological and social environments. In general, the psychosocial environment is concerned with interactions and negotiations between employees and their managers, through which norms are built and all relations are governed in the organization (Hammer et al., 2004).

Hanaysha (2016) and Danish et al. (2013) proved that environment influences commitment, while Dul et al. (2011) found that work environment influences performance. Furthermore, Anasi (2020) indicated that environment influences job satisfaction. On the academic side, Yusliza et al. (2020) revealed that supportive work environment and retention are related to work environment.

In general, conductive work environment can create a positive impact on employees, help in making employees more committed, and enhance their motivation and satisfaction. Attractive work environment can motivate people to be better motivated and more engaged in their jobs.

1.2. Employee engagement

Employee engagement is related to the degree to which organization members fully use their cognitive, emotional, and physical resources to do their jobs (Kahn, 1990; May et al., 2004). Kahn (1990) suggested that engagement had three dimensions, namely, physical, cognitive, and emotional. Schaufeli et al. (2002) stated that engagement is determined by vigor, dedication, and absorption. As per Saks (2006), engagement is expressed as a variable that entails cognitive, emotional, and behavioral components connected with employee role tasks.

Engagement is concerned with the employees’ presence, physical and psychological, when performing their jobs. Therefore, those who have high levels of engagement enjoy their work and are highly associated with their roles (Kahn, 1990; Macey & Schneider, 2008). High degrees of engagement entail positive energy and identification of employees with their jobs.

Past research has indicated that commitment affects engagement (Nienaber & Martins, 2020).
Another study analyzed how engagement influenced performance and well-being (Bedarkar & Pandita, 2014).

Personality might influence employee engagement degrees. In other words, if two employees were employed at the same organization and have the same working environment, they might have two different engagement degrees. In general, it is understood that highly engaged employees are persistently and continuously outperforming their roles in work.

1.3. Ethical decision-making

It is argued that ethical decision-making plays a mediation role between the independent and the dependent variables. Trevinto and Nelson (2003) define ethics as moral principles, what can be considered right and what can be considered wrong; these principles govern an individual’s behavior. Ethical behavior is described as a behavior that is either accepted or unaccepted by organizations. Lu and Guy (2014) state that ethical leadership is concerned with the quality of direction and good example leadership given by managers of organizations.

Ethical decision-making is a process constituted by all the stages an individual has to go through from the time a problem arises until the decision is made and even including the evaluation of the decision and its consequences. There are many antecedents of ethical decision-making, such as society, organizational and general culture, and work environment. The organizational ethical culture can be considered as one of the components of culture in organizations; and may affect ethical decision-making. Nowadays, organizations employ information technology to avail advanced means of communication, keep the business follow-up, and pace with the new market trends (Alnaser et al., 2020). As decision-making environment becomes more complex, uncertainty surrounding decisions increases, and managers shift from programmed to non-programmed decisions. To reduce this type of uncertainty, a code of ethics is a popular choice in that concern. Another technique to reduce ethics uncertainty is ethical training, which helps employees understand the ethical concept of decisions. Jones (1991) suggested that the environment of the workplace may affect ethical decision-making by decision-makers.

Results of a survey made by Necare and Sehitoglu (2018) showed that ethical decision-making significantly affects emotional intelligence. A previous survey by Valentine et al. (2018) proved that data-based ethical decisions were influenced by perceived lateral relations and organizational commitment.

Following the above theoretical background, it can be concluded that providing and enhancing work environment can raise employee engagement via ethical decision-making. Hence, the present study aims to examine the influence of work environment on employee engagement, and investigate ethical decision-making as a mediator between work environment and employee engagement.

Therefore, Figure 1 shows the hypotheses that are formulated based on the literature review and in accordance with the aim of the study.
H1: Employee engagement is affected by work environment.

H2: Ethical decision-making is affected by work environment.

H3: Employee engagement is affected by ethical decision-making.

H4: Ethical decision-making plays a mediation role between environment and employee engagement.

2. METHODOLOGY

Social, economic, and technological progress has been achieved in Jordan during the last two decades. Jordan has become attractive for local and foreign investments, including investments in the transportation sector, enticing several corporations to invest in this sector. According to statistics published by Amman Stock Exchange (2019) in Jordan, there are eight corporations registered in the transportation sector, having a total of 117 million shares. Meanwhile, the relative importance of the transport, storage, and communications sector to the GDP at Constant Basic Prices in 2019 was 10.0% (Central Bank of Jordan, 2019).

Since there is a lack of research in the transportation sector in Jordan regarding work conditions, ethical decision-making, and employee engagement, the current paper bridged this gap. Since there are many similarities and differences between Jordanian culture and other cultures, scholars who investigate environment, ethical leadership, and/or engagement should observe differences between cultures.

Respondents answered all statements using a seven-point Likert scale as choices of answer.

Work environment: Nine items adapted from McCusker et al. (2005) and Steelman et al. (2004) were employed to measure work environment. The statements from Env1 to Env9 cover work environment.

Employee engagement: UWES-9 developed by Schaufeli et al. (2006) was used. The statements from Eng1 to Eng9 cover the three dimensions of employee engagement.

Ethical decision-making: The moral intention measure was adapted from Brown et al. (2005) and Casali (2011). The statements from Dec1 to Dec7 cover the ethical decision-making construct.

Demographic variables: The three demographic variables were measured. Gender and marital status were measured as dichotomous variables while education level was assessed by categories.

3. RESULTS

3.1. Respondent data

The sample is comprised of employees working in transportation corporations listed on the Amman Stock Exchange (2019) in Jordan. Three hundred questionnaires were given out and 240 were filled and collected. 3 questionnaires were deleted due to missing data, which resulted in 237 good responses, most of which (68.8%) were male while the rest (31.2%) were female. Of the sample (65.4%) were married while (34.6%) were single. In addition, around half of the sample (49.4%) was holding a bachelor’s degree. Table 1 presented demographic details.

Table 1. Demographic Information

| Characteristics       | Details | Counts | Percent |
|-----------------------|---------|--------|---------|
| Gender                | Male    | 163    | 68.8    |
|                       | Female  | 74     | 31.2    |
| Total                 |         | 237    | 100     |
| Marital status        | Single  | 82     | 34.6    |
|                       | Married | 155    | 65.4    |
| Total                 |         | 237    | 100     |
| Education             | High school | 26     | 11.0    |
|                       | College | 86     | 36.3    |
|                       | Bachelor| 117    | 49.4    |
|                       | Higher studies | 8     | 3.4     |
| Total                 |         | 237    | 100     |

Results indicated that there was no relationship between each of the three variables: gender, marital status, or education with employee engagement.
3.2. Descriptive statistics

As for the descriptive statistics of the respondents’ answers, Table 2 illustrates the alpha and other descriptive statistics.

It can be seen from Table 2 that inter-correlations among variables (.454, .304, and .397) illustrate that there is no problem of multicollinearity.

3.3. Exploratory and confirmatory factor analysis

All data were subjected to exploratory factor analysis (EFA). Three factors resulted in eigenvalues of more than one, totaling 68.904% of the total variance. The value of Kaiser-Meyer-Olkin (0.936) demonstrated that the sample is adequate. All item loadings as per the EFA ranging from

![Figure 2. Confirmatory factor analysis/measurement model](http://dx.doi.org/10.21511/ppm.19(3).2021.19)
.665 to .897, presented an acceptable level of factor loadings (> .50).

The confirmatory factor analysis (CFA) was applied to all constructs of the study to evaluate their factor loadings. The measurement model consists of three latent variables, namely, work environment, employee engagement, ethical decision-making, and 25 observed variables. As presented in Figure 2, all the indicators are loaded onto their corresponding factor (ranging between .65 and .87).

As seen in Figure 2, all factor loadings were considered acceptable because they are beyond the minimum limits.

Results of the goodness-of-fit indices showed that the value of CMIN/DF (2.435) was lower than the suggested threshold of 3.000 (Kline, 2005). Results of the confirmatory factor analysis for the other indices are CFI = (.922); TLI = (.913); IFI = (.922); and (RMSEA) =.078. All these indices’ results provided an acceptable fit.

To establish the convergent validity, composite reliability (CR) for each latent variable was assessed and found to be more than .70, which demonstrated good reliability. Table 3 presents the results.

| Construct              | CR | AVE | SqRt AVE | MSV | MSV < SqRt AVE |
|------------------------|----|-----|----------|-----|---------------|
| Work environment       | .93| .61 | .78      | .20 | Yes           |
| Ethical decision-making| .92| .62 | .79      | .18 | Yes           |
| Employee engagement    | .95| .68 | .82      | .20 | Yes           |

Moreover, average variance extracted (AVE) values for each latent variable were assessed and found to be more than 0.50.

To establish the discriminant validity, maximum shared variance (MSV) values were calculated. All values of MSV were smaller than the square root of their matching AVE, thus discriminant validity was proved.
The mediation model was tested with CFA. In this model, \( H4 \) stated that ethical decision-making mediated the relationship between work environment and employee engagement.

The mediation model is shown in Figure 3.

The model results revealed that the work environment significantly had effects on employee engagement \( (\beta = .36, p < .01) \) and on ethical decision-making \( (\beta = .29, p < .01) \), thus supporting \( H1 \) and \( H2 \), respectively. Furthermore, ethical decision-making significantly affected employee engagement \( (\beta = .31, p < .01) \), thus supporting \( H3 \).

Results of the indirect effect of environment on engagement via ethical decision-making were \( (\beta = .09, p < .01) \), thus, supporting \( H4 \). Therefore, ethical decision-making mediated the relationship between work environment and employee engagement.

4. DISCUSSION

The findings of the study established that there is a statistically significant correlation between work environment and employee engagement. The findings also reported that ethical decision-making mediates the relationship between the two variables. Therefore, work environment and ethical decision-making can be essential ingredients for employee engagement.

In sum, encouraging and enhancing ethical decision-making as a mediator between environment and engagement indicates the importance of ethical decision-making in organizations. It suggests that ethical leadership has a strong role to play in motivating and improving employee engagement since employee engagement among followers is associated with leaders’ attitudes and behaviors.

CONCLUSION

Enhancing and promoting of work environment can raise employee engagement via ethical decision-making among transportation corporations. However, developing and caring about work environment is a complex process that requires careful planning and implementation to identify appropriate ways to gain advantages.

The present study aimed to test the influence of work environment on employee engagement, and investigate ethical decision-making as a mediator between work environment and employee engagement. The study provides empirical evidence that work environment has a positive influence on employee engagement and decision-making. Moreover, it provides evidence that ethical decision-making has a positive influence on employee engagement, and that ethical decision-making mediated the relationship between work environment and employee engagement.
The results revealed interesting and important research directions for academics and practical managerial implications for managers and decision-makers of Jordanian transportation corporations. Hence, to make the employees engaged with their roles, corporations’ policies and strategies need to focus on the work environment including physical setting, characteristics of the job itself, broader organizational features as culture, and extra organizational setting as work-home relationships through assessing and finding solutions in the workplace and take into consideration the code of ethics and practices of management.

AUTHOR CONTRIBUTIONS

Conceptualization: Mahfuz Judeh.
Data curation: Mahfuz Judeh.
Formal analysis: Mahfuz Judeh.
Investigation: Mahfuz Judeh.
Methodology: Mahfuz Judeh.
Project administration: Mahfuz Judeh.
Resources: Mahfuz Judeh.
Software: Mahfuz Judeh.
Supervision: Mahfuz Judeh.
Validation: Mahfuz Judeh.
Writing – original draft: Mahfuz Judeh.
Writing – review & editing: Mahfuz Judeh.

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