

**THE IMPACT OF ORGANIZATIONAL ETHICAL CLIMATE ON
EMPLOYEE PARTICIPATION IN KNOWLEDGE MANAGEMENT
PROCESS, IN GUILAN ORGANIZATION OF ECONOMIC AFFAIRS AND
FINANCE, AND TAX DEPARTMENT**

Sayed Mahmoud Shabgoo Monsef

Department of Business Management, Islamic Azad University, Rasht branch, Rasht, Iran

Mehdi Fadaei

Department of Business Management, Islamic Azad University, Rasht branch, Rasht, Iran

Hadi Afshin Pour

MA Student of Business Administration, Transformation, Islamic Azad University, Rasht Branch, Rasht, Iran

Abstract

In recent years, knowledge management has been used as an essential strategy to develop providing organizational intellectual capital. Organizational intellectual capital can be obtained, both individually and collectively, in a process to create, store, share, acquisition, and deployment of individual and organizational knowledge. However, some organizations, despite of concerns that are due to incidence of individual selfishness, will just focus on development of public interest. Various aspect of individual and peripheral vision about knowledge management, essentially will lead to moral conflicts and ethical culture in the organization. The purpose of this study will be investigating the impact of organizational ethical climate on employees' perceptions of value, as well as their activities in knowledge management. The results indicate that there is a variety of organizational ethical climate in the organization, and their impact on employee's behavior, as well as their participation in knowledge management activities is different; and as well as it suggests that ethical culture is the most important priority of knowledge management in an organization, that lack of attention to it will lead to knowledge accumulation and potential not using this resource in the organization. The studied universe of this paper is Employees of Guilan Organization of Economic Affairs and Finance, and Tax Department. Research method is descriptive – correlation method, and the method of data analyzing is inferential. In addition, data collection is based on field method and its tool is questionnaire. Samples have been selected through simple random sampling, and the research hypotheses have been analyzed by regression- correlation coefficient test and applying SPSS software; and after investigating it revealed that there is a positive relationship between ethical climate based on responsibility, and ethical climate based on moral and professional principles and employees participation in knowledge management process, and conversely, there is a

negative relationship between selfish ethical climate and employee participation in knowledge management process.

Keywords: Knowledge Management; Knowledge Sharing; Organization Ethical Climate; Employees of Economic Affairs and Finance Organization, and Tax Department

Introduction

Nowadays, knowledge increasingly is considered as the most important strategic asset of organizations and an important resource to achieve sustainable competitive advantage."Davenport" and "Prusak" (1998) believe that knowledge is a combination of experience, values, data based on evidences, and expertise perspectives, which will provide a framework to evaluate experiences and new information (Siakas, et al; 2010).It was "Wiig", who first time, in 1986, has mentioned "Knowledge Management" in his book, but also before him, "Peter Druker" and others, implicitly, had promise the emergence of this phenomenon (Wiig, 1997). This is why, nowadays, organizations have specific attitude toward knowledge management. On the other hand, in the past two decades, there are many studies on organization ethical climate (Shapira & Rosenblatt, 2010). In fact, ethical climate is a part of the organizational culture. Ethical climate of an organization can be predictor of employees 'moral and immoral behavior (Nadi and Hazeghi, 2011). One of variables that can be predicted by the organization ethical climate is knowledge management (Tseng & Fan, 2011).On the other hand, Organization of Economic Affairs and Finance, and Tax Department as an governmental organizations which has many clients, and an organization which per se play an extensive role in economy of the country and province of Guilan, by identifying effective variables on knowledge management, and using this process, can looking for increasing efficiency and organizational effectiveness; therefore, this study tries to examine the relationship between organization ethical climate and knowledge management.

In recent years, knowledge management has been used as an essential strategy to develop providing organizational intellectual capital (Chen & Huang, 2010). Intellectual capital of organization can be used both individually and collectively, in a process to create, store, share, acquisition, and deployment of individual and organizational knowledge. However, some organizations, despite of concerns that are due to incidence of individual selfishness, will just focus on development of public interest. Organizational knowledge management initiatives, mainly concentrate on facilitating the exchange of knowledge with others, and also development of common knowledge in organizations (Tseng & Fan, 2011). Knowledge management is the process of discovering, acquisition, developing and creating, maintaining, evaluating and using appropriate knowledge, at the appropriate time, by appropriate person in the organization, through relationship between human resources, information and communication technology, and providing appropriate structure to access organizational goals (Debra, W. Sherril, 2008).

In order to increase the benefits from innovation and competitive advantages, more number of organizations trying to use and maintain their collective intellectual capital, along with developing collaboration and training among organizational employees(Bavarsad et al, 2010).Various individual and collective vision towards knowledge management, inevitably will lead to moral conflicts and ethical culture in the organization. Therefore, one of the most important challenges which today organization encounters them is effective management of this resource (Tseng &Fan, 2011).The purpose of this study will be investigating the impact of organizational ethical climate on employees' perceptions of value, as well as their activities in knowledge management (Zahidul Islam, MD, 2011)."Tseng" and Fan, have defined participating

in knowledge management process as an individual attitude towards the degree of their participation in activities relate to organization knowledge management and also have defined satisfaction of knowledge management systems (KMS) as conceptual evaluation of an individual toward consequences of knowledge based on its adequacy and knowledge accessibility to perform the tasks. In addition to this vision that collective knowledge is a simple combination of individuals' private knowledge, knowledge also has a place in social function. "Alavi" et al suggest that a KMS can be consider as an organizational cultural product, which may be influenced by current organizational values, or re-formulating new set of values related to knowledge management, and ultimately, this satisfaction on knowledge management systems will have some results and consequences to organizations (Tseng & Fan, 2011). The concept of organization Ethical climate is related to general structures such as organizational climate and organizational culture (Khorshid and Mohseni, 2010). Organizational culture is identified in the form of assumptions, values, and preliminary products, which prepare structures, actions, policies, and organizational processes (Tseng & Fan, 2011). While, organization ethical climate pay attention to the attitude of employees in the organization, which are provided through the process of interaction between individual and the alternative observation, ethical climate will affect employees in the organization to learn appropriate and acceptable behaviors (Khorshid and Mohseni, 2010). Due to the abstract nature of culture, ethical climate of the organization is a more practical approach to providing personal feelings about an organizational value, valid system and motivating policies. Ethical climate of the organization includes patterns which conduct employees' behavior, and indicate moral characteristics of each organization (Nadi and Hazeghi, 2011). Tseng and Fan define organization ethical climate as attitude of a person toward instructions, policies, and moral behavior in organizations. Ethical climate of organization will affect the way that employees should behave and act in organization, and also reflect common beliefs and values, and can formulate the behavior of employees in the organizations, and conduct them to determine true or wrong action, and improve organizations' business performance and employees' satisfaction. Organizational ethical climate, positively, is related to judgment, intention, and ethical behavior of employees in their organizations and when they concentrate on ethical instructions and follow ethical activities. Although knowledge management can influence organizational impacts, and support them, it is not expected that the employees of organization replace their ideas and innovations that suggest in their daily activities (Tseng & Fan, 2011).

This study, actually, facilitates theoretical and practical plans which provides perception on the way of developing and the impact of ethical climate on Employees' organizational knowledge management participation in Economic Affairs and Finance Organization, and Tax Department. Thus, the main question of the present study arises as follows: Whether ethical climate of the organization affect knowledge management of Guilan Organization of Economic Affairs and Finance, and Tax Department or not?

Research Theoretical Framework

One of the performed researches related to this study has been the research of "Tseng" and "The Fan" (2011), which aimed to investigate the impact of organizational ethical climate on knowledge management. The findings of this research indicate that, there are significant statistical results about the impact of organizational ethical climate on knowledge on management. The research results have suggested that ethical approvals, and sense of commitment and responsibility, and relying on rules and regulations, will promote organizational performance and improve employees' participation in knowledge management process, as well

as, it demonstrated that ethical climate will affect positively employees' performance through knowledge management.

In another study entitled "Modeling the role of ethics on success of knowledge management systems" that has performed by "Rezaeiyan Frdoee" and "Ghazi Noori" (2010); the research results showed that the relationship between ethical criterion and functional dimensions of knowledge management process has been significant. There is a correlation between measures such as personal and collective trust, honesty, paying attention to property right, assistance and empathy, commitment, responsibility, conscience, and precise in accuracy, and functional aspects of knowledge management, include creating, organizing, distributing and applying knowledge.

In conducted research by "Chin-Tsang Ho" (2009), entitled "the relationship between empowering knowledge management and the performance", the role of knowledge management empowering on financial performance by mediation of knowledge management performance indicators is investigated. The research results indicated that the relationship between empowering, knowledge management and functional knowledge management indices, such as strategy and leadership has been positive and significant; as well as the relationship between knowledge management performance indices and financial performance indices is positive and significant. Therefore, empowering, knowledge management by mediation of knowledge management performance indicators have a positive impact on financial performance of organization.

There is other research entitled "a survey on the role of ethics and knowledge management on organizational performance" which is performed by "Akhavan" and "Yazdi Moghadam" (2013). This research has discussed this subject that paying attention to ethics by manpower will help improving organizational performance and better implementation of knowledge management.

Research findings showed that, there is a strong positive relationship between ethical principles and organizational performance. As well as, the relationship between ethics and knowledge management process is positive and significant, but there is no significant relationship between knowledge management processes and organizational performance. Therefore, it determined that although ethics directly has positive impact on performance, it failed to be effective on performance by mediation of knowledge management. According to abovementioned and other researchers and studies which have been made in this field, knowledge management and organization ethical climate, in this research, are considered, respectively as dependent and independent variables, and research conceptual model, which has derived from the research of "Tseng" and " Fan" (2011), entitled "the impact of organizational ethical climate on knowledge management", is as follows:

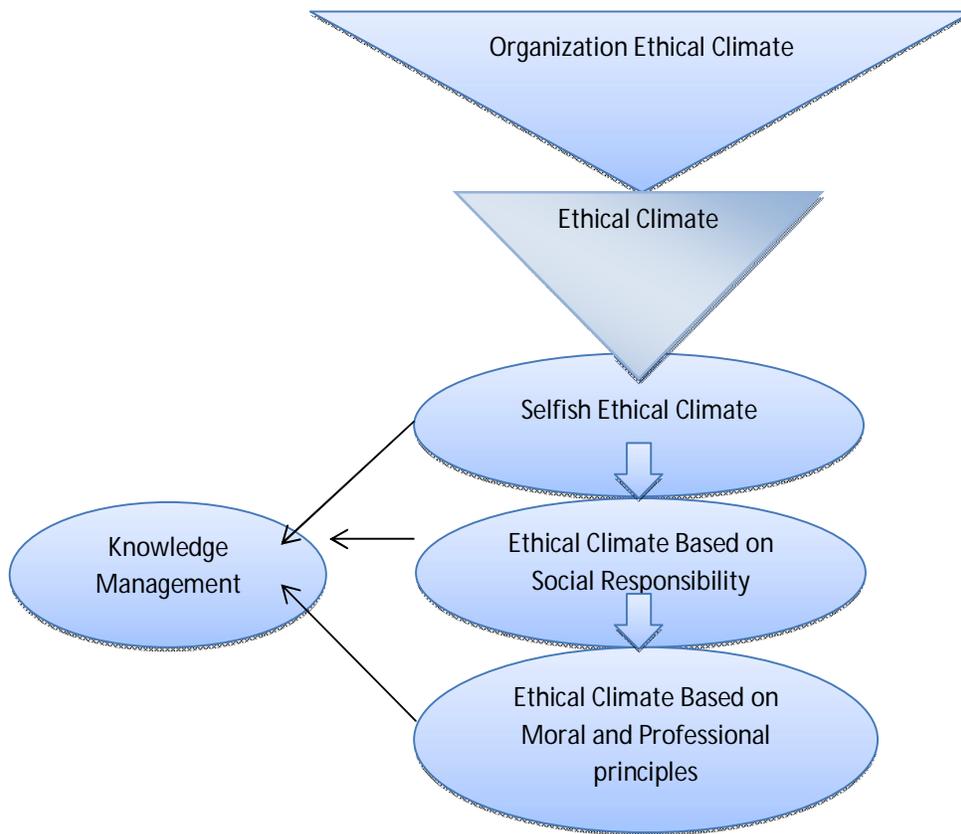


Figure 1 - analytical research model (Tseng & Fan, 2011)

Research Hypothesis

On the basis of research theoretical framework, research hypotheses are as follows:

The Main Hypothesis

There is a relationship between organizational ethical climate and employees' participation in knowledge management process of Guilan Organization of Economic Affairs and Finance, and Tax Department.

Secondary Hypothesis

First Hypothesis: there is a relationship between organization selfish ethical climate and employees' participation in knowledge management process of Guilan Organization of Economic Affairs and Finance, and Tax Department.

Second Hypothesis: there is a relationship between ethical climate based on social responsibility and employees' participation in knowledge management process of Guilan Organization of Economic Affairs and Finance, and Tax Department.

Third Hypothesis: there is a relationship between ethical climate based on moral and professional principles and employees' participation in knowledge management process of Guilan Organization of Economic Affairs and Finance, and Tax Department.

Conceptual and Operational Definitions of Research Main Variables

Conceptual and Operational Definitions of Organization Ethical Climate:

Conceptual Definitions of Organization Ethical Climate:

Ethical work climate is defined as common perceptions about particular organizational practices and procedures, which has ethical content (Ahmadi and Panahi, 2010). Its dimensions are as follows:

Organization Selfish Ethical Climate:

This type of climate require measure of arrogating and boasting, and is based on maximizing self-benefits. People believe that decision making should serve organization interests or personal interests.

Ethical Climate Based on Social Responsibility:

This type of ethical climate is based on ethical criterion of benevolence and interest in others. In this climate, individuals like each other's prosperity honestly and purely, and in addition, there are other individuals inside and outside of the organization, which may influenced by their ethical decisions.

Ethical Climate Based on Moral and Professional Principles:

In this ethical climate, employees pay attention to their profession's principles and rules and regulations. In decision-making positions within this climate is perceived principles, rules and regulations rule, in which employees should make decisions, based on authority, and judgment of some external systems, such as law or professional regulations (Khorshid and Mohseni, 2010).

Operational Definitions of Organization Ethical Climate:

In order to operationalize variables of ethical climate and its dimensions in organization, a questionnaire containing 11 questions which has been designed on a five point Likert type scale, was used. Questions of ethical climate variable are based on its dimensions in organization (selfish ethical climate, ethical climate based on social responsibility, and ethical climate based on moral and professional principles).

2-7-1) Conceptual and Operational Definitions of Knowledge Management

Conceptual Definitions of Knowledge Management:

Knowledge management can be defined as a set of processes that monitoring creation, distributing, and taking advantage of knowledge. This definition requires creating organizational and supporting structures, facilitating the relationships between members, using information technology instruments in network, and describing knowledge (Amin Bidakhti et al, 2011). In the present study, knowledge management includes following dimensions:

Knowledge Acquisition:

The ability of searching and acquiring general new knowledge or developing new knowledge beyond the available organizational knowledge through collaboration (Inkpen, 1996)

Saving Knowledge:

The ability of protecting knowledge, in aspect of inappropriate or misusing or stealing it

Application of Knowledge:

The ability of utilizing, operating, and using knowledge (Gold, et.al, 2001)

Sharing Knowledge:

Knowledge should issue according to specific needs of users through an effective and appropriate method. Furthermore, it will issue by applicable tools to make it comprehensible to all users (Allameh et.al, 2011).

Operational Definitions of Knowledge Management:

In order to operationalize the dimensions of knowledge management variable in organization, a questionnaire containing 22 questions which has been designed on a five point Likert type scale will be used. Questions of knowledge management variable are based on its dimensions (knowledge acquisition, knowledge storing, Application of Knowledge, and Sharing Knowledge).

Research Methods

In general, the method of present study is descriptive - analytical along with an emphasis on correlation, and in aspect of target is an applied research. Since this research investigates the impact of organizational ethical climate on knowledge management in Guilan Organization of Economic Affairs and Finance, and Tax Department, it is a descriptive research.

Statistical universe of this research is all employees of Guilan Organization of Economic Affairs and Finance, and Tax Department that based on Department of Administrative affairs, and organization’s Department of Statistics, its number is 900. Sampling method in this research is simple random sampling. Since the number of employees in the research statistical universe has been limited, and its number is 900, the sampling equation of limited universe will be used:

$$n = \frac{Z^2 \cdot S_x^2 \cdot N}{e^2 N - e^2 + \left(Z^2 \cdot S_x^2 \right)}$$

Methods and Tools of Data Collection:

Data collection method in this study is field method. In order to collect data related to the survey, the questionnaire has been used. This research questionnaire includes 33 questions which are derived from the questionnaire of Tseng and Fan research in 2011. All questions were tested on a five point Likert type scale.

Validity and Reliability of Measuring Tools:

In this study, to assess validity, content validity method has been used. In order to assess the reliability of questionnaire, the reliability coefficient has been used (Cronbach’s alpha), that results are described in the following table.

Table 1 - Variables Cronbach's alpha coefficient

Variable	The number of questions	Percentage of Cronbach’s alpha
Selfish ethical climate of the organization	3	82.1
Ethical climate based on social responsibility	4	83.2
Ethical Climate Based on Moral and Professional principles	4	81.8
Independent variable - organization ethical climate	11	75.5

Dependent variable - knowledge management	22	90.6
---	----	------

It can be seen that the value of Cronbach's alpha coefficients to variables is above 70 percent, that it can be said that it is an appropriate amount and variables have appropriate reliability. Because alpha value closer to 1 indicate high internal consistency.

Statistical Methods of Data Analysis

In this study to data analyze, and testing hypotheses, descriptive and inferential statistics methods have been used. In the first stage, that analyzing is descriptive, collected data is presented as a table of descriptive statistics, frequency and as a bar graph and histogram, and in the second stage, that analyzing is inferential it will investigate by using Pearson Correlation Coefficient and regression. Finally, discussing about accepting or rejecting statistical assumptions will be possible.

The Results of Hypothesis Test

In the main hypothesis, which examines the relationship between organizational ethical climate and employee's participation in knowledge management process of Guilan Organization of Economic Affairs and Finance, and Tax Department, results have indicated the positive and significant impact of organizational ethical climate, on participation of employees in the knowledge management process, and the amount of this intensity is 0.446 (table 2). Thus, more desirable organizational ethical climate will result in more individual participation in knowledge management process.

Table 2 - Correlation coefficients between organizational ethical climate and employee's participation in knowledge management process of Guilan Organization of Economic Affairs and Finance, and Tax Department

Variables	Number	Correlation coefficient (R)	Determination Coefficient (R ²)	Significant level	Result
Organizational ethical climate and knowledge management of organization	274	0.446	0.199	0.000	Confirming Hypothesis

in first secondary hypothesis, which examined the relationship between selfish organizational ethical climate and employees' participation in knowledge management process of Guilan Organization of Economic Affairs and Finance, and Tax Department, the results indicate a negative and significant impact of selfish organization ethical climate on individual's participation in the knowledge management process, and the amount of this intensity is -0.152 (Table 3). Thus, dominance of selfish ethical climate in organization will reduce the employees' participation in knowledge management.

Table 3 - Correlation coefficients between selfish organizational ethical climate and employee's participation in knowledge management process of Guilan Organization of Economic Affairs and Finance, and Tax Department

Variables	Number	Correlation coefficient (R)	Determination Coefficient (R ²)	Significant level	Result
selfish organizational ethical climate and knowledge management of organization	274	-0.152	0.023	0.012	Confirming Hypothesis

in the second secondary hypothesis, which examined the relationship between ethical climate based on organizational social responsibilities and employees' participation in knowledge management process of Guilan Organization of Economic Affairs and Finance, and Tax Department, the results indicate significant and positive impact ethical climate on organizational social responsibilities on employees' participation in knowledge management process, and the amount of this intensity is 0.544 (Table 4). Thus, dominance of ethical climate based on organizational social responsibilities in the organization, in organization will enhance the employees' participation in knowledge management.

Table 4 - Correlation coefficients between ethical climate based on organizational social responsibilities and employee's participation in knowledge management process of Guilan Organization of Economic Affairs and Finance, and Tax Department

Variables	Number	Correlation coefficient (R)	Determination Coefficient (R ²)	Significant level	Result
ethical climate based on organizational social responsibilities and knowledge management of organization	274	0.544	0.295	0.000	Confirming Hypothesis

In the third secondary hypothesis, which examined the relationship between ethical climate based on moral and professional principles and employees' participation in knowledge management process, the results indicate significant and positive impact of ethical climate based on moral and professional principles on employees' participation in knowledge management process, and the amount of this intensity is 0.60 (table 5). Thus, dominance of ethical climate based on moral and professional principles will reduce the employees' participation in knowledge management.

Table 5 - Correlation coefficients between Ethical Climate Based on Moral and Professional principles and employee's participation in knowledge management process of Guilan Organization of Economic Affairs and Finance, and Tax Department

Variables	Number	Correlation coefficient (R)	Determination Coefficient (R ²)	Significant level	Result
Ethical climate based on moral and professional principles and knowledge management of organization	274	0.600	0.36	0.000	Confirming Hypothesis

Discussion and conclusions

Several studies have argued that organizational ethical climate will affect the way in which organizational members should behave and act, and is composed of ethical judgments, attitudes and people's behavior. Consistent with the administrative requirements, ethical work climate can provide an organizational emotional environment, and improve the employees' work performance, as well as their satisfaction. Since the organizational members and their activities are in the social system, relationship with the resource groups can support determination of group identity, getting information, and judgment that met expectations of organization. Organizational ethical climate reflects common beliefs and values, and can formulate the behavior of employees in the organizations, and conduct them to determine true or wrong action. It seems that organizational ethical climate, positively, is related to judgment, intention, and ethical behavior of employees in their organizations. When they concentrate on ethical instructions and follow ethical activities. Although knowledge management can influence organizational impacts, and support them, it is not expected that the employees of organization replace their ideas and innovations that suggest in their daily activities. Several studies have argued that organizational knowledge management is related to organizational culture hardly, that is originated from organizational common values and will reflect according to organizational operations and goals. Ultimately, the research results demonstrate that there are a variety of organizational ethical climate in the organization, and the amount of their impact on employees' behavior, as well as their participation in the knowledge management activities is different, and also it argues that ethical culture is the most important priority of knowledge management in an organization, that lack of attention to it will lead to knowledge accumulation and potential not using this resource in the organization.

Recommendations Based on Research Results:

To improve employees' participation in knowledge management process it is recommended:

1. Trying to act based on ethical climate principles and paying sufficient attention to organization ethical climate
2. Designing a proper system to measure ethical climate according to ethical principles in the organization, to monitor the state of organization and it eliminate potential weaknesses in the form of a long-term strategic plan
3. Planning scientific meetings about the indices of ethical behaviors in the organization
4. Encouraging and supporting employees who are outstanding in aspect of personal ethics and work indices

5. Try to provide interests of people, without discrimination, so that people trust organization and do not look for just their own interests, which this will decrease selfish ethical climate in the organization
6. Strengthening the sense of forgiveness and cooperation in the organization that should be start from administrators, and then flow entire the organization.
7. Try to dominating customer-oriented culture in the organization, and always what is true to customer and the general public should be performed
8. managers and employees, seriously should looking for legal and professional standards in the organization

References

- Ahmadi, A. A & Panahi, Balal. (2009). "Effects of ethical climate on attitudes and job behaviors Eastern University Noor azrbayjan message", *Research Management*, Second Year, No. 5, pp. 55-33.
- Akhavan, P & YazdiMoghadam, J. (2013). "Examine the combined role of ethics and knowledge management on organizational performance", *Journal of Ethics in Science and Technology*, Year VIII, No. 2, pp. 37-53.
- Amin Beidokhti,A.A & MakvandHosseini, Sh & Ehsani, Z. (2010). "Examine the relationship between organizational culture and knowledge management in the city of Semnan Education", *Quarterly Strategy / twentieth year*. Pp. 216-191.
- Allameh, M & Zamani, M & Davoodi, S.M. R.(2011)." The Relationship between Organizational Culture and Knowledge management",*procedia Computer Science3* ,pp 1224-1236.
- BavarSad, Belgheis- Habibi, L & Tavanbakhsh, H. (2010). "Relationships between knowledge management and organizational performance enhancing firms listed inTehran Stock Exchange", *First National Conference*,Pp.1-13
- Chin-Tsang Ho.(2009)" The relationship between knowledge management enablers and performance" *Industrial Management & Data Systems*, , Vol. 109 Iss: 1, pp.98 – 117
- Chung-Jen Chen, Jing-Wen Huang, Yung-Chang Hsiao. (2010). "Knowledge management and innovativeness: The role of organizational climate and structure", *International Journal of Manpower*, Vol. 31 Iss: 8, pp.848 – 870.
- Debra w, Sh. (2008)." An exploratory study of ethical climate perceptions of the mortgage banking industry in the Charlotte, North Carolina Region, United States: Capella University", 291 pages.
- Fan-Chuan Tseng &Yen-Jung Fan.(2011). "Exploring the Influence of Organizational Ethical Climate on Knowledge Management", *Journal of Business Ethics 101*,pp325–342.
- Gold, A.H, Malhotra, A., and Segars, A.H. (2001) "Knowledge management: An organizational capabilities perspective",*Journal of Management Information Systems*, 18(1), pp185-214.
- Inkpen, A. C. (1996)."Creating knowledge through collaboration" *California Management Review*, 39, 1,pp 123-140.
- Khorshidi, S & Mohseni, Z.(2010)."Effects of ethical climate on job satisfaction of public and private banks in Iran", *Journal of the third year*, No. VII, pp. 119-79.

- Kerstin V. Siakas, Elli Georgiadou, Bo Balstrup.(2010). " Cultural impacts on knowledge sharing: empirical data from EU project collaboration" *The journal of information and knowledge management systems* , VINE, Vol. 40 Iss: 3/4, pp.376 – 389.
- Nadi, MA-Hazeghi, F.(2010)."Structural equation modeling of relationships between ethical climate, job satisfaction and organizational commitment and intent to leave among employees in private hospitals in Shiraz," *Journal of Health Information Management*, eighth period, the number fifth, pp. 708-699.
- OrlyShapira-Lishchinsky, Zehava Rosenblatt.(2010)." School ethical climate and teachers' voluntary absence" , *Journal of Educational Administration*48(2) , pp164-81.
- Rezaeian Fardoe, S& GhaziNouri, S.S. (2010)."Modeling the role of ethics in the success of knowledge management systems", *Journal of science and technology policy*,pp.1-5.
- Wiig, K.(1997). " Knowledge management where did it come from and where will it go?" , *Journal of Expert System With Application*,p1-14.
- Zahidul Md. Islam, Ikramul, H & SarwarUddin, A, SylvaniaMaheen, A . (2011)." Organizational culture and knowledge sharing: Empirical evidence from service organizations" ,*African Journal of Business Management*, Vol. 5, No. 14, pp. 5900-5909.