

## **Influence of Ethical Environment, Ethical Leadership, and Organizational Trust on Employee Engagement of the Construction Company in Malaysia**

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### **Abstract**

There are many unethical issues in the construction business such as wrong practices, poor quality of construction work, safety culture, and corruption. However, the issue that has been highlighted in this study is the low quality of construction work which is linked to employee engagement. This research aims to examine the relationships between ethical environment, ethical leadership, and organizational trust towards employee engagement. The study was quantitative research assessing employee engagement in a construction company. A self-administered survey questionnaire was used to collect primary data from 91 construction companies in Malaysia. The data were analysed using SPSS and finding discovered that the proposed model explained 68.8% of the variance in the dependent variable. This study found that there is a positive relationship between the ethical environment and organizational trust towards employee engagement. In contrast, ethical leadership has no relationship towards employee engagement. The findings from this study can help future researchers to examine factors influencing employee engagement in construction companies in Kuala Lumpur, Malaysia. Besides, practically, this current research can help in terms of improving the performance of management teams in the organization by enhancing their ethical environment.

**Keywords:** *Employee Engagement, Ethical Environment, Ethical Leadership, Organizational Trust, Construction*

## **1.0 Introduction**

Recently, previous researchers from both business and public sectors have concluded to view ethics as an important factor in the well-being and performance of organizations. Although, many studies have confirmed that ethics have an impact on the performance of the public sector (Sabharwal & Berman, 2015). One of the challenges that organizations face is how to build and increase the level of employee engagement, and it can be considered a competitive advantage if organizations provide an ethical environment that helps good social contact between leaders and employees and thus stimulate employee engagement. Engaging employees are more productive in their work because employee engagement supports competitive advantage, and therefore organizations have to analyse their drivers (Judeh, 2021). For instance, employee engagement contributes directly to ethical performance in organizations, business combinations, services, or operational results. Emotional and rational factors, including satisfaction and trust, are among the factors in employee engagement as well (Turner, 2019). Therefore, this study will examine the effect of ethical environment, ethical leadership, and organisational trust on employee engagement.

## **2.0 Literature Review**

### **2.1 Ethics Environment**

Previous researchers defined the ethical environment as a social system in which ethical decisions are prepared and implemented, and expected behaviour is understood by encouraging individuals to participate and contribute to this system. Kaptein (2010) argued that the behaviour of employees, managers, and the company are the factors that can measure a company's ethical environment. Singhapakdi and Vitell (2008) describe that organizations that exemplify ethical behaviour have high employee satisfaction (Sabharwal et al., 2015). Ethics is described as a process of ethical evaluating aims, strategies, theories, activities, and decisions that influences human well-being, equity, justice, self-actualization, and morality within business companies. Ethics is a synonymous term with morality which both refer to experience aspects of an individual that include rightness and wrongness judgments of behaviour and values that have to be given priority in personal, social, and political decision-making.

An ethical environment is a structure of right and wrong behaviours such as awareness, performance, and cultural context. The ethical environment is the most important component of a leader in changing circumstances. The ethical environment is influenced by a set of factors, as explained by Ford and Richardson (1994) and some important factors include value, the influence of leadership and management, the influence of peers, rules and codes of ethics, procedures, training in ethical behaviour, rewards, and punishments (Kim et al., 2015). An ethical environment encourages employees who can work in accordance with the organization's goals. Some leaders use the ethical environment opportunistically when facing problems. Thus, ethical/unethical behaviour in the company culture and leadership has a significant impact on the ethical behaviour of the employee. In this research, it will be suggested that the ethical performance of leaders is more common than opportunistic performance and that it associates with outcomes that may produce organizational culture (Hough et al., 2015).

### **2.2 Ethical Leadership**

Recently, there has been an increased interest in developing and strengthening ethical leadership and emphasis on leader effectiveness in companies. Ethical leadership uniquely affects organizational behaviour and performance, as well as job performance. Thus, this effect leads to a positive relationship between ethical leadership and employee engagement in organizational behaviour, for

example, vocal behaviour, through the reporting of administrative problems and the exchange of constructive ideas for business improvement. Furthermore, leaders employ behaviours related to ethical leadership to demonstrate their integrity and thus these behaviours are important precedents for trust (Khuong, & Dung, 2015).

There are several definitions of ethical leadership exist, but the one proposed by Brown et al. (2005) is still widely used (Shakeel et al., 2018). Brown et al. (2005) defined ethical leadership as "the demonstration of convenient behaviour through the performance and relationships of an individual, as well as promoting that behaviour to followers through reinforcement, two-way communication, and decision-making" (Shakeel et al., 2019). According to this definition, the moral individual and the ethical manager are the two primary functions of an ethical leader. The role of a moral manager refers to the actions made by the leader to instil these moral principles in his subordinates. The role of an ethical individual refers to the moral values of the leader himself. Three of these behaviours are mentioned in the definition above: decision-making, reinforcement, and communication. In another research, such as stated by Heres & Lasthuizen (2012), empowerment is also a crucial component of an ethical manager (Shakeel et al., 2019).

Piccolo et al. (2010) and Walumbwa et al. (2011) identified that there is a close association between ethical leadership and dependent behaviours such as role-playing and additional role behaviours that are involved in organizational behaviour and negative behaviours in the workplace (Kim et al., 2015). Some research has found that ethical leaders promote ethical standards, rules, regulations, and policies to enhance organizational performance (Banyhamdan et al., 2020). Moreover, Bandura (1986) explained that the pro-social behaviour of employees is influenced by ethical leadership through social learning. Social learning theory explains how ethical leadership affects the ethical attitudes and behaviours of the workforce in organizations (Kim et al., 2015). Therefore, in the current study, ethical leaders influence the attention of employees by focusing on their standards and appropriate ethical behaviour. In addition, leaders are critical role models in an organizational context, their ethical behaviour can affect employee engagement (Kim et al., 2015).

### **2.3 Organizational Trust**

Trust has a lot of positive impacts on administration and business in the workplace. Organizational trust is nowadays seen as an individual construct in a context that varies from one person to another. Due to global work designs, labour contracts between individuals and organizations are less relevant to organizational performance. Organizational trust replaces control contracts because trust is linked to the relationship between employees and organizations, and therefore trust has an impact on the performance of the individual and the group (Oliveira, 2014). Audi (2008) stated that business is impossible without trust. Mayer, Davis, & Shoorman (1995) define trust as a relationship of trust between two parties, one of whom is subject to the actions of another party without his monitoring or being controlled. Cummings & Bromiley (1996) state that organizational trust is a belief that others have good faith and are making an effort to achieve it, such as maintaining commitments, being honest, and not taking advantage of others. Cohen & Denhart (2013) believe that trust is a type of strategic behaviour or the ability to make rational decisions in risks, crises, and vulnerabilities (Hough et al., 2015).

The importance of organizational trust appears in effectively reducing the cost of supervision in organizations, strengthening cooperation between organizational members, encouraging organizational innovation, and providing a strong competitive advantage for the organization. Organizational trust represents the mutual relationship between the leader and the individual, and this is the basic concept of the exchange theory, which states the ease of building a strong mutual relationship between trusted superiors and subordinates. Organizational trust is a global topic that

contributes to many topics such as team building, conflict management, communication, organizational justice, etc. (Ning, et al., 2007).

## **2.4 Employee Engagement in Construction Industry**

Employee engagement is considered a significant topic in human resource management, and able to increase employee engagement in the organization. At the same time, employee engagement leads to further work performance with more effort, productivity, positivity, and efficiency. Many variables may determine employee engagement such as organizational, behavioural, emotional, and cognitive variables (Odriozola, 2022). Kahn (1990) stated that the concept of employee engagement refers to work and self, where work coincides with self in job performance in a way that enhances bonds with work, with others, with personality, and with active and effective performance. Employees harness themselves at work through physical, cognitive, and emotional performance. So that employees are present at work, both physically and psychologically, and thus make effort and focus on the performance of their work (Zheng, et al., 2013).

Rich (2010) and others stated that employee engagement is a motivating factor for employees because it allocates personal resources to implement performance. Sahoo & Mishra (2012) define employee engagement as a field in which employees are committed to performing their work, and taking care of their organization and colleagues, and willing for expanding this field and adding some tasks for the success of their organization (Hough et al., 2015). Employees who are more engaged are more inclined to take personal initiative at work, which improves overall unit innovation (Hakanen et al. 2008). Employee engagement improves an organization's bottom line on a collective basis (Avery et al. 2007; Harter et al. 2002). Examining what drives employee engagement is crucial towards good performance results (Avery et al. 2007).

## **3.0 Methodology**

This study used a quantitative method which suitable to measure the relationship between ethical environment, ethical leadership, organizational trust, and employee engagement of construction companies in Kuala Lumpur. This study involves the use of questionnaires for data collection techniques as well as statistical analysis. The cross-sectional strategy is used to find out the insights of the respondents, whereby the data of the current study will be collected to answer the research questions. Thus, to achieve the objectives of the study, the questionnaire survey method has been selected for the current research. Besides, non-probability sampling was used, and respondents voluntarily agreed to participate. The data was coded and processed using SPSS. In addition, the reliability of data was tested based on Cronbach's alpha and the model fitness was analysed through Multiple Regression Analysis.

## **4.0 Results and Discussion**

There are 26.4% females and 73.6% males participated in this research. Hence, these results of data collection indicate that male respondents are more common than female respondents. The age categories included in this demographic question are 18 to 24 years old, 25 to 34 years old, 35 to 44 years old, and above 45 years old. According to the collected data, 44 (48.4%) is the highest percentage category within the age of 25 - 34 years old. 25 (27.5%) of respondents was the second highest percentage within the age of 35-44 years old. In addition, 16 (17.6%) of respondents were between the ages of 18 and 24, compared to 6 (6.6%) the lowest number of respondents who were above 45 years old. The reliability test is used to evaluate each variable's consistency (Cooper &

Kwak, 2006). The reliability test using Cronbach's Alpha for dependent and independent variables is shown in Table 1.

**Table 1: Reliability Testing**

Variables	Cronbach's Alpha	Number of Items
Ethical Environment	0.716	4
Ethical Leadership	0.743	4
Organizational Trust	0.754	4
Employee Engagement	0.825	4

**Table 2: Normality Test**

Variables	Skewness	Kurtosis
Ethical Environment	-2.071	7.690
Ethical Leadership	-1.613	5.417
Organizational Trust	-1.915	5.857
Employee Engagement	-1.974	5.671

Multiple Regression Analysis was used in this study. Based on Table 3, R has a value of 0.835 which shows that there is a positive relationship between the variables. Moreover, R squared 0.698 where the R squared determines the relationship of the dependent and independent variables and it has approximately 68.8% relation of independent variables such as ethical environment, ethical leadership, and organizational trust to the dependent variable, employee engagement, which shows that there is a strong direct correlation between employee engagement with independent variables.

**Table 3: Model Fit Summary**

Multiple R	.835
Coefficient of Determination (R Square)	.698
Adjusted R Square	.688
F Value	67.007
Sig	<.001

The results of this study demonstrate that there is a significant relationship between ethical environment and employee engagement in the construction industry in Malaysia. The study adds to the literature and practical research in the fields of organizations, management, and business. Additionally, examine the relationship between ethical environment and employee engagement. An organization's ability to be trusted depends on its ethical environment. The relationship between ethical environment and employee engagement leads to employees' and managers' perceptions of how ethical or unethical the organizational environment is, which is closely related to their trust or distrust of the company. Furthermore, we demonstrate that the level of trust or distrust is positively and significantly related to the extent to which individuals and leaders engage or do not interact with their workplace. This promotes a comprehensive understanding of the relationship between employee engagement and the ethical environment.

Besides, the finding of this study demonstrates that there is no significant relationship between ethical leadership and employee engagement in the construction industry in Malaysia. In the context of this research, the conclusions are that there may be a negative relationship between ethical leadership and employee engagement. The data were collected through questionnaire surveys of employees in the construction company in Malaysia. According to Yang's study (2014), ethical leadership exposes

workers to organizational citizenship anxiety, which lowers their level of engagement at work. Employees' concerns about corporate citizenship operate as a complete mediator in how ethical leadership has a detrimental influence on workplace engagement. Employees' organizational anxiety triggers a change in how the link between organizational citizenship anxiety and work engagement is influenced by their organizational anxiety behaviour. The detrimental effect of organizational citizenship anxiety on work engagement is smaller the more motivated a person's organizational anxiety is (Liu et al., 2020).

There is a significant relationship between organizational trust and employee engagement in the construction industry in Malaysia. The findings found in the present study corroborate that there is a positive relationship between organizational trust and employee engagement through trust-HRM practices and trust - communication. This study shows that managers within organizations who are more concerned with their management practices than with their traits contribute to building relationships of trust within the organization. In addition, explicit and transparent communication between management and employees motivates employees in their work. According to Robinson et al. (2004) and Saks (2006), engagement is a two-way connection between an organization and its employees, and one way that people may give back to their employers is by being engaged. In other words, depending on the resources provided by their employer, employees decide how much they want to engage. Strong engagement behaviours at work can be compared to a relationship that develops through time into one of mutual commitment, trust, and loyalty (Ugwu, 2012).

## **5.0 Research Implications**

From the perspective of theoretical implications, this research may be significant for other researchers who are interested in the same research issue and how the outcomes of the variables influenced employee engagement in the Kuala Lumpur, Malaysia, construction business. This study has been expanded from previous research to include the impact of ethical leadership on employee engagement. This research will help in the field of business to understand the impact of ethics and its importance on the performance of organizations, which depends mainly on the performance of employees within organizations. Furthermore, it may help managers understand employee behaviour and adopt motivational measures that help increase employee engagement. Lastly, this research indicates that the ethical environment and organizational trust have a regional relationship with employee participation.

The practical implications of this study are on the impact of ethical aspects on employee behaviour in organizations. Moreover, this study suggested that ethical environment and organizational trust have the greatest influence on employee behaviour in organizations. From a practical point of view, the ethical environment is an effective strategy that has a strong impact on increasing the activity of employees and increasing the level of overall performance in organizations. Therefore, management must adopt ethical strategies and apply them in organizations, whether at the level of management or the workforce. Moreover, management must build trust between them and the workforce through the application of fairness and equity between employees and ease of communication with senior management.

## **6.0 Limitations and Directions for Future Research**

This study is a significant expansion of the previous literature, but there are several intrinsic limitations. Firstly, there are only 91 respondents, who participated in this study within Kuala Lumpur, so the participation rate and views would be of good size. Behaviour is often determined by an individual's perception of the situation. Also, organizational trust is a perception that leads to

engagement and performance behaviours. Therefore, in this study, the study of the perception of organizational trust for both employees and managers is of utmost importance. In the survey, questions about the behaviour of others were used to increase reliability. In the study of human behaviour, the limitation is the concern of social bias. This research was conducted on a small, specific segment. The data obtained is limited based on the subjective opinion and self-reports of individuals in this target group. Thus, the results of this research may not be generalized for application to the entire construction industry. In addition, the results of the questionnaire are likely to be influenced by and largely depend on the behaviour of other people surrounding the respondents' work environment. Those who complete surveys may believe that there is one correct or more correct answer. While this is a legitimate concern, the use of online surveys and assuring respondents of anonymity and confidentiality reduces the likelihood of this limitation.

## 7.0 Conclusion

This study sheds light on the importance of ethics in the construction industry and assesses how the ethical environment significantly affects employee engagement. The current study examines the impact of three organizational factors on employee engagement which are ethical environment, ethical leadership, and organizational trust. Importantly, the study found that employee engagement is higher in organizations that emphasize a culture that promotes ethics. In addition, this study examined the meaning and role of ethical and organizational aspects as a cognitive dimension in enhancing employee engagement in the Malaysian construction industry. The finding showed the strong influences of ethical environment and organizational trust on employee engagement while ethical leadership had no impact.

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