

Influencing Factors of Ethical Judgments among Government Officials: Good Governance and Strengthening Internal Control

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ABSTRACT

Rampant unethical incidences in public sectors have eroded the public trust in government officials. The accusations include the officials being unethical in their actions and eager in enriching themselves instead of protecting the public interest. Indeed, unethical actions are derived from unethical judgments which are influenced by various factors. Applying Hunt and Vitell's theory, the objective of this study is to examine the ethical judgments in relation to organizational ethical climate, deontological evaluations of rules compliance, and teleological evaluations of perceived consequences. Data were collected from 141 government officials of Kota Bharu municipal council and analyzed using SmartPLS version 3. As hypothesized, the findings supported that organizational ethical climate, deontological evaluations, and teleological evaluations have a significant impact on ethical judgments. This study provides beneficial insights to the government, policy and lawmakers, municipal councils, and academicians in which rule compliance (deontology) can quantify the right over the wrong consequences (teleology) since having a sound organizational ethical climate is vital in the formation of ethical judgments. Hence, it is hoped that enhancing ethical judgments among the officials would regain the public trust in the municipal council and thus align with the country's aspiration of becoming a corrupt-free nation in due time.

Keywords: Municipal council; organizational ethical climate; deontological evaluation; teleological evaluation; ethical judgment.

INTRODUCTION

Ethics is a branch of philosophy manifested by systematizing, defending, and recommending concepts of what is right and wrong. The concepts guide people in maneuvering their lives and forming judgments. Judgments formed ethically would benefit many parties in the long run although they may incur a higher cost to the decision-maker (Strider 2014). On the other hand, unethical judgments may benefit the decision-maker but would harm stakeholders and society (Jackson et al. 2013).

Ethical judgments are the main concern of all sectors, especially those in public sectors, and thus, municipal council officials are not spared either. This is because the main duties of municipal councils are to deliver services for the betterment of the people and areas under their jurisdiction. They have been entrusted to make the areas under their jurisdictions free from any wrongdoing and unethical incidences (Osman et al. 2014) apart from promoting sustainability (Joseph et al. 2019) and improving the well-being and life quality of the citizens (Zakaria et al. 2020). In performing duties and judgments, they must assure that these tasks are executed within the acceptable ethical standards (Masters and Graycar 2016) for the sake of protecting the public interest. Muda and Saat (2019) highlighted that ethical judgments are the most critical task in an organization given that judgments

made are not only compatible with values and beliefs but also uphold the good image of the organization.

However, poor governance, increasing inequality in socio-economic between residences, flourishing corruption, and unethical incidences have weakened such efforts. Accordingly, evidence suggests that council officials tend to present various kinds of unethical incidences, such as bribery, making false claims, securing unlicensed business premises, graft, and corruption (Chamunorwa 2015; Muda & Saat 2019; Ruzki 2020). As local authorities are unable to deliver quality services due to mismanagement of funds, the public is cynical of the municipal council and accuses its officials are being unethical, which is attributed to their failure in forming ethical judgments.

Muda and Saat (2019) highlighted that ethical judgments are the most critical task in an organization. They argued that unethical incidences among local authorities are found to be due to unauthorised or inappropriate judgment. Thus, with ethical judgment, the local authority officials should be able to deliver the responsibility in a proper, effective, and efficient manner for the citizen's benefit. Being aware of the importance of ethical judgments for the local authority officials, this study aims to examine the factors influencing their ethical judgments in financial matters.

Many unethical incidences of councils officials have been reported globally. In Brazil, Rodrigues et al. (2020)

found that Municipal Council officials were susceptible to corruption and mismanagement incidences. Meanwhile, councilors of Somalian cities were criticized for failing to elevate their residents' social status and well-being (Ahmed & Koech 2019). In the same vein, Malaysia's municipal council is not excluded from these predicaments. For example, the Malaysian Anti-Corruption Commission arrested the director and municipal council officials for soliciting and accepting bribes from unlicensed business owners for monthly protection (Anis 2020). These unethical practices and issues of unethical judgment have eroded the public's trust in the municipal councils. Thus, the public is generally skeptical of the local authority officials and accuses them of unethical judgments.

Hence, with ethical judgment, the local authority officials should be able to deliver the responsibility in a proper, effective, and efficient manner for the citizen's benefit. Being aware of the importance of ethical judgments for the local authority officials, this study aims to examine the factors that affect their ethical judgments in financial matters. Therefore, following Hunt and Vitell's Theory and prior studies (Bicen & Gudigantala 2019; Brady & Gougoumanova 2011; Bregman et al. 2015; Pan & Sparks 2012; Ren et al. 2020; Zakaria 2010b), this study attempts to extend those prior research by examining the impact of organizational ethical climate and moral philosophies on ethical judgments of municipal council officials. To fill this gap, at least partially, and emulating Hunt and Vitell's (1986) theory of ethics and prior studies by Abdullah et al. (2014) and Johari et al. (2020), the objective of this current study is to examine the relationship between organizational ethical climate, deontological and teleological evaluations on ethical judgments.

The sample for the study consists of 141 Kota Bharu Municipal Council officials. The findings show a significant positive relationship between organizational ethical climate with ethical judgment. Additionally, two moral philosophies, deontological and teleological evaluation, are positively related with ethical judgment. Thus, this study contributes tremendously to the ethics literature on factors that influence the ethical judgments among municipal officials such as organizational ethical climate, deontological and teleological evaluations. This study can enhance the municipal councils' awareness of understanding the concept of deontological and teleological evaluations and the importance of establishing an ethical climate in organizations and forming ethical judgments. Further, it also provides insights into the management of local authorities by creating a conducive ethical environment in the organization that would trigger ethical judgments among municipal council officials.

The organization of this paper is as follows. The following section discusses the literature on the theory of ethical judgments, municipal councils in Malaysia, ethical judgment, the relationship between organizational ethical climate, deontological and teleological evaluations on ethical judgments, and the development

of the hypothesis. It is followed by research design and the results of the analysis. The final section includes discussion, implications, summary, limitations, and recommendations for future studies.

LITERATURE REVIEW AND HYPOTHESES DEVELOPMENT

UNDERPINNING THEORY OF ETHICAL JUDGMENTS

The framework of this study is based on a prominent theory of ethical judgment by Hunt and Vitell (1986, 1993). The first virtue ethics theory was issued by Hunt and Vitell in 1986. They developed the theory to postulate factors of ethical judgments or decision-making in ethical problems in marketing ethics. Later in 1993, they additionally enhanced the theory by integrating more elements of environmental and personal influences (Haron et al. 2015). Russell (2019) claimed that this theory aims at what the individual must do (prescriptive) when going through their ethical judgments procedure with what they do (descriptive) during that process. These assessments lead to an ethical evaluation, which influences the person's behavior by the intermediate variable of intention. The Hunt and Vitell (1986, 1993) theory, whose primary interest is in marketing ethics, proposed an ethical judgment model emphasizing the scenarios involving ethical issues (Hunt & Vitell 2006; Marta 1999). Despite developing the ethical judgment model for the marketing area, it may often reflect decision-making in other disciplines, including the municipal council. Many scholars in ethics have applied this theory by guiding them in empirical research given that it is applicable in all aspects of making ethical judgments (Hunt & Vitell 2006). Moreover, Hunt and Vitell's theory of ethics is suitable for the other issue related to ethical judgments (Zakaria 2010a) by predicting how people handle the situation involving ethical dilemmas (Russell 2019).

MUNICIPAL COUNCIL IN MALAYSIA

To date, there are 37 municipal councils in Malaysia. The councils are responsible for providing public goods and services to each community of citizens living within their localities. Total revenue and the number of citizens serving are the two criteria established for the council's classification. The state or district can be designated as a municipal council when it has accomplished at least 150,000 citizens and earned a revenue of not less than RM 20 million annually (*Statistic of Local Authorities According to State*, n.d.). In terms of the Local Government Act 1976 (Act 171), a municipal council is a local authority formed under the Malaysian local government. This municipal council has the right to establish its standards and legislation to serve the citizens but is subjected to national regulation (Bello et al. 2017; Osman et al. 2014; Zakaria et al. 2020). The prominent role of the municipal council is mainly for its citizens, such as to provide goods

and services, (Osman et al. 2014) govern and structure its planning, budgeting, and administration (Gumisiriza and Kugonza 2020), and execute the policies to build up the growth of business environment (Meyer & Neethling 2017). Hence, the municipal council is accountable for delivering the services for the sustainability of the city and citizens' well-being by promoting all aspects like safety, economic, social, and environmental development.

Kota Bharu Municipal Council as a local authority also has the same responsibilities and plays a role as other local authorities in Malaysia. Nevertheless, this municipal council differs from other municipal councils due to the incorporation of Islamic ethics in its organization. According to Hassan and Ahmad (2016), Kota Bharu Municipal Council plays a crucial role in ensuring the city's landscape in terms of planning, management, and all aspects based on Islamic values. This municipal council emphasizes three primary relationships, specifically human and God, human with human, and human and nature. Moreover, it highlights the implementation of fundamental Islamic values in Kota Bharu Municipal council, which include Welfare, Hygiene, Wellness, Compliance, and Knowledge (5 Kaf) in managing the city (Hassan et al. 2017). Meanwhile, Kota Bharu Municipal Council Islamic City Laws have been revised due to Islamic laws currently implemented by the state government. Some changes have been made to ensure the effectiveness of Islamic requirement decisions. As seen today, the Kota Bharu Municipal Council has integrated Islamic values into the workplace. The Council also introduced the concepts of Mas'uliyah (accountability) and trust as its code of ethics (Musa 2014). These events reflect the uniqueness of the Kota Bharu Municipal Council as opposed to other municipal councils in Malaysia in forming ethical judgments.

ETHICAL JUDGMENT

An ethical judgment is characterized as a legal and moral decision. Hunt and Vitell (1986) described ethical judgments as those that recognize ethical issues and evaluate alternatives based on the rule system of deontological (non-consequences) evaluations and teleological (consequences) assessments that are the best approach to solve unethical issues. Moreover, it is illustrated how people judge what is "appropriate" or "inappropriate" in the context of socially acceptable norms. People consider the action or conduct the guides and evaluate the wider implications in society (Abdullah et al. 2014; Goebel & Weißenberger 2017; Singhapakdi et al. 1994, 1997). Ethical judgments are a vital element of reputation management as it allow officials to understand of how being viewed as behaving ethically or unethically, and thus affecting an organizational reputation (Goh, 2018). Thus, the organizational people can personally evaluate their actions, either ethical or unethical (Sparks and Pan 2010), and form judgment once they have recognized that a situation has morally content

(McCorvey 2020). According to Ermasova et al. (2018), ethical judgments derive values, standards, and services from a process model of public service motivation to consider their ethical responsibilities in the sense of the public sector. An unethical incidence due to the failure to apply ethical judgments in the public sector has turned into ethical issues in performing a task.

Previous studies have proven that ethical judgment impacts positively on workplace climate since the officials are able to judge ethical dilemmas concerning independence issues critically and leniently (Woodbine et al. 2012; McCorvey 2020). Besides, ethical judgment may develop an awareness of ethical conduct, reduce unethical incidences (McCorvey 2020), lead to increased willingness to disclose wrongdoing in an organization (Latan et al. 2019), and shape the fundamentals of the profession (Maree & Radloff 2007). Correspondingly, Muda and Saat (2019) highlighted that ethical judgment is the most critical task in an organization because the judgments made are not only compatible with values and beliefs but also uphold the good image of the organization. Thus, with ethical judgments, the municipal official should be able to deliver the responsibility in a proper, effective, and efficient way for the citizen's benefit.

ORGANIZATIONAL ETHICAL CLIMATE ON ETHICAL JUDGMENTS

Ethical climate describes the officials' perception of how ethical their organizations are (Wesarat et al. 2017). An organization's ethical climate is one of the elements of an organizational culture, where the officials learn which values are held in high respect and compensated (Appelbaum et al. 2005). However, they claimed that the leaders could use ethical climates to rationalize unethical judgments by protecting their interests. Shafer (2015) posited that personnel perceives an unethical climate, especially when they are at the top of the management. They can reduce the importance of corporate ethics to rationalize unethical judgments, which is aggressive earnings management. In contrast, people will lead to more ethical judgments if they perceive that their organization's ethical climate is relatively supportive.

Hollingsworth and Valentine (2015) revealed that the ethical climate affects ethical judgments. They argued that to enhance officials' address workplace dilemmas, organizations should have a better understanding of the normative influence of the ethical climate. A study conducted using a sample from a firm with a variety of businesses operating in the Southwestern and Midwestern regions of the United States found a positive impact between organizational ethical climate and ethical judgments. Abdullah et al. (2014) examined and analyzed the ethical climate on personnel's ethical judgment for selected Malaysia's public sectors in Putrajaya, Selangor, and recorded a significant relationship between these two variables. In contrast, Johari et al. (2020) found that ethical climate demonstrated no influence

on ethical judgment. Besides, Kota Bharu Municipal Council has integrated Islamic ethics as organizational culture. A hypothesis is also developed to confirm that the organizational ethical climate is committed and focused on a system with specific risk limits and ethical corporate rules and regulations to assist employees to establish ethical judgments. According to Lewis (2006), Islamic ethics promote justice and welfare in society and organizations by encouraging better ethical conduct. Thus, as Kota Bharu Municipal Council's organizational ethical climate builds upon the principles and ethical framework of Islamic teachings (Shariah), this study develops the following hypothesis.

H₁: There is a significant relationship between organizational ethical climate and ethical judgments.

DEONTOLOGICAL AND TELEOLOGICAL EVALUATION OF ETHICAL JUDGMENTS

Hunt and Vitell's framework proposes that an individual's ethical judgment is affected by an evaluation of the appropriateness or inappropriateness of practice based on the rule known as deontological evaluation. Meanwhile, an assessment of the consequences of the action is known as teleological evaluation. Deontological evaluation and teleological evaluation are two moral philosophies that influence ethical judgments (Hunt & Vasquez-Parraga 1993). These two moral philosophies coexist and provide the optimum mix for determining ethical judgment factors (Macdonald and Beck-Dudley 1994). They claimed that deontological and teleological evaluations are not mutually exclusive, hence, the protection of law cannot stand alone. Furthermore, since moral life is primarily teleological, much of our everyday judgments require us to be conversant with teleological evaluations (Moizer 1995). In contrast, (Johari et al., 2012) argued that ethical behavior is an action that is very close to the most perfect action, balancing good and bad consequences are unethical and the people should not sacrifice the well-being of others.

Therefore, those who rely on deontology alone prioritize law as a constitutive reference and will ignore the importance of consequences, moral worthiness, happiness, and satisfaction or any motive other than duty (Valentine and Rittenburg 2004). On the other hand, reliance on teleology alone would lead one to only emphasize moral evaluations to consequences. Specifically, the individual tends to ignore the primary sources of humans' acts of morality and achieve the ethicality of endings (Valentine & Rittenburg 2004). As such, it appears that these two moral philosophies namely deontological evaluations and teleological evaluations are essential and jointly influence ethical judgments.

According to prior studies (Bicen & Gudigantala 2019; Bregman et al. 2015; Rallapalli et al. 1998; Ren et al. 2020; Zakaria 2010b), the findings appeared that the individuals who use deontological and teleological evaluations are more likely to form ethical judgments. Contradicting results have been reported upon investigating the impact of these two moral philosophies' context on individual ethical judgment. Ren et al. (2020) claimed that the key person or qualified person in pharmaceuticals in China will rely on deontological or teleological concerning the level of deviations. The higher they face serious deviation, the higher they will rely on deontological evaluations. In contrast, if the deviation is just a minor case, they prefer to rely on teleological evaluation in forming ethical judgment to release or reject the drug. Meanwhile, Sparks and Siemens (2014) found that undergraduate business students prefer to choose teleological evaluation rather than deontological when they face the complexity of ethical judgment tasks. Conversely, Brady and Gougoumanova (2011) reported that the factors of deontological and teleological evaluations do not support ethical judgment among business executives in Europe.

Regardless of the mixed findings, this study attempts to extend prior research by adopting the Hunt and Vitell's framework and extending the core elements of the evaluation toward public sector officials; thus, it allows the study to examine how Kota Bharu Municipal Council's officials form ethical judgments in an organization. The following hypotheses are then proposed.

H₂: There is a significant relationship between deontological evaluations and ethical judgments.

H₃: There is a significant relationship between teleological evaluations and ethical judgments.

METHODOLOGY

SAMPLE AND DATA COLLECTION

The sample was initially drawn from a list of officials who worked at Kota Bharu Municipal Council. The population consisted of 220 officials from four levels: managerial management of grades 48 to 54, executive management of grades 41 to 44, supervisory of grades 27 to 38, and support officials of grades 19 to 26. According to Krejcie and Morgan (1970), for the aforementioned population of 220 officials, a sample of 140 or equivalent to 63% of the total population is required for this study. A stratified random sampling method was employed in selecting the samples. In this method, every sample has a chance of being chosen as respondents for the

population. Data for this study were collected using a survey method by distributing the questionnaire to the respective respondents through the person-in-charge that was contacted earlier. Accordingly, the researchers distributed questionnaires to all officials in the second week of December 2020 via email, google form, and personal hand-in to the respondents. However, only 141 people responded. More questionnaires were sent as pre-cautions to overcome the low response rate and incomplete answers.

MEASUREMENT OF VARIABLES

This study was conducted to investigate the relationship between organizational ethical climate, deontological evaluations, and teleological evaluations on ethical judgments among Kota Bharu Municipal council's officials. The reliability and validity of the variables were

statistically tested before proceeding for further analysis. The variables used were tested in prior studies (Abdullah et al. 2014; Johari et al. 2020; Trenkamp 2009). The measurement of ethical judgment was adopted from Stanga and Turpen (1991). These cases had been tested and validated by Abdullah et al. (2014) and Johari et al. (2020). All the scenarios concerned financial and accounting issues and measured the level of ethical judgments of officials at Kota Bharu Municipal Council. The five scenario cases to measure ethical judgment were adopted from Stanga and Turpen (1991). These cases had been tested and validated by Abdullah et al. (2014) and Johari et al. (2020). All the scenarios were on financial and accounting issues facing by officials in performing their duties. The researchers measured ethical judgment using a five Likert scale ranging from 1 = strongly unethical to 5 = strongly ethical. The scenarios are as below:

TABLE 1. Ethical judgments scale items

Nature of the scenario	
Scenario 1:	Submit a false reimbursement claim of RM150 for 5 days out of town meals.
Scenario 2:	Use confidential inside information to potentially make millions of dollars illegally by giving tips on contract. Increase organizational income by recognizing revenue before it was earned.
Scenario 3:	Not reporting the amount of income or allocation received by the organization.
Scenario 4:	Accept RM25,000 cash payment in exchange for selecting a company as an outside contractor to perform
Scenario 5:	maintenance work.

N=141

Meanwhile, organizational ethical climate measurement was developed by Victor and Cullen (1988) and tested by Abdullah et al. (2014), Johari et al. (2020), and Suar and Khuntia (2004). Meanwhile, deontological and teleological evaluations were adopted from Trenkamp (2009).

RESULTS

RESPONDENTS' DEMOGRAPHIC PROFILES

Respondents in this study comprised 83 male (58.9%) and 58 female (41.1%) officials. About 75.2% or 106 respondents were married, followed by 29 or 20.6% who were single, 4 or 2.8% were widowers, and the remaining 2 or 1.4 % were widows. Most of the respondents or about 42 (29.8%) were aged between 31 to 40 years. This was followed by those who were less than 30 years (37 or 26.2%), between 41 to 50 years (33 or 23.4%), and finally, those aged between 51 to 60 years (29 or 20.6 %).

In terms of years of service, the majority of the respondents served between 11 to 15 years (48 or 34%), followed by those who served for more than 15 years (44 or 31.2%), between 1 to 5 years (24 or 17%), less than a year (20 or 14.2%) and finally the least was between 6 to 10 years (5 or 3.5 %). Approximately 40 or 28.4% of the respondents were from the Engineering and Maintenance department, followed by the Finance Department (40 or 28.4 %), Administrative department (23 or 16.3%), and the remaining 19 or 13.5% were from the Enforcement and Taxation department.

A higher proportion (86.5%, $n = 122$) were mainly from grades 19 to 38 that consisted, followed by grades 41 to 44 (10.6%, $n = 15$), above grade 53 (2.1%, $n = 3$) while a single respondent (0.7%) was between grades 45 to 52. The higher the number of grades held by the official, the higher the official's level of position. The results of the respondents' demographic profiles are shown in Table 1.

TABLE 1. Respondents demographic profiles

Profiles	Type	Frequency	%
Gender	Male	83	58.9
	Female	58	41.1
Marital Status	Single	29	20.6
	Married	106	75.2
	Widower	4	2.8
	Widow	2	1.4
Age	> 30 years	37	26.2
	31 – 40 years	42	29.8
	41 – 50 years	33	23.4
	51 – 60 years	29	20.6
Year of service	< 1 year	20	14.2
	1 – 5 years	24	17.0
	6 – 10 years	5	3.5
	11 – 15 years	48	34.0
	> 15 years	44	31.2
Department	Finance	40	28.4
	Administration	23	16.3
	Management & Evaluation	16	11.3
	Engineering & Maintenance	43	30.5
	Enforcement & Taxation	19	13.5
Grade/Position	> 53	3	2.1
	45-52	1	0.7
	41-11	15	10.6
	19-35	122	86.5

THE MEASUREMENT MODEL

The Hunt and Vitell Theory of Ethics underlies the research framework of this study. This framework was used as a model for investigating the factors of ethical judgments of municipal councils officials. The model was tested using the Sequential Equation Model (SEM) of Smart Partial Least Square (PLS) version 3.0, and examined in two models: measurement and structural.

Data were analyzed earlier in the measurement model. In this model, the data were assessed in relation to three assessments: convergent validity, discriminant validity, and variable inflation factors (VIF).

CONVERGENT VALIDITY

Convergent validity is a test to determine whether items of a construct or variable exhibit a similar concept. The convergent validity is assessed by three evaluations, as recommended by Hair et al. (2017), which include

average variance extracted (AVE), composite reliability (CR), and factor loading. The AVE calculates the amount of variances, captured by a construct. The results indicated that all the AVE values were between 0.737 and 0.803, which were higher than the threshold value of 0.5 as recommended by Hair et al. (2017).

The second evaluation was composite reliability and Cronbach alpha. These evaluations measure the reliability or internal consistency of items in a construct. The results indicated that all values of CR and Cronbach alpha were higher than the threshold value of 0.70 as suggested by Hair et al. (2017). Meanwhile, factor loading is the variability of every item and the results showed that all the values ranged from 0.833 to 0.913. These values were higher than the threshold value of 0.60 as suggested by Chin (1998). Hence, the results demonstrated that the data met the convergent validity requirements. The results are presented in Table 2.

TABLE 2. Convergent validity

Constructs	Items	Loadings	Cronbach Alpha	CR	AVE
OEC	OEC1	0.725	0.752	0.811	0.590
	OEC2	0.814			
	OEC3	0.763			
DE	DE1	0.915	0.868	0.918	0.789
	DE2	0.903			
	DE3	0.845			
TE	TE1	0.961	0.925	0.947	0.818
	TE2	0.846			
	TE3	0.891			
	TE4	0.916			
EJ	EJ1	0.893	0.766	0.804	0.581
	EJ2	0.704			
	EJ3	0.671			

OEC: Organizational Ethical Climate, DE: Deontological Evaluation, TE: Teleological Evaluation, EJ: Ethical Judgment.

DISCRIMINANT VALIDITY

Discriminant validity is measured to assure that every construct or variable is different in concept from one another. The Hererotrait-Monotrait Ration (HTMT) of correlations was used to assess the discriminant validity.

In this assessment, the HTMT values were compared to the threshold value. All the HTMT values were less than 0.9 which indicated that the measurement model met adequate discriminant validity as suggested by Gold et al. (2001) and Teo et al. (2008). The results of discriminant validity – HTMT Ration are depicted in Table 3.

TABLE 3. Discriminant validity – HTMT ratio

	DE	EJ	OEC	TE
DE				
EJ	0.828			
OEC	0.220	0.491		
TE	0.786	0.728	0.205	

OEC: Organizational Ethical Climate, DE Deontological Evaluation, TE: Teleological Evaluation, EJ: Ethical Judgment.

VARIABLE INFLATION FACTORS (VIF)

Variable Inflation Factor (VIF) detects multicollinearity in regression analysis. According to Hair et al. (2017), multicollinearity exists if the VIF value is 5.0 or higher, indicating that the independent variables are highly correlated with each other in a regression model. Results showed that the VIF values for all the correlations were between 1.031 and 2.046, which were below 5.0, indicating that all the independent variables were free from multicollinearity.

The data have met all the measurement model's requirements and can proceed to be assessed in the structural model.

STRUCTURAL MODEL

In the structural model, the data were analyzed in several assessments which were effect size, predictive relevance, and hypotheses testing.

EFFECT SIZE

The magnitude of the effect of independent variables on a dependent variable is assessed by effect size (f^2). The effect size (f^2) is interpreted at the structural level as small when the value ranges from 0.020 to 0.150, medium for values ranging from 0.150 to 0.350, and large when the value is larger than 0.350. Resultantly, the values of f^2 were in the range between 0.066 and 0.286 for hypothesized relationships, showing that the independent

TABLE 4. Inner VIF Value (Lateral Collinearity)

Construct	Ethical Judgment
Organizational Ethical Climate	1.031
Deontological Evaluation	2.046
Teleological Evaluation	2.043

variables had a medium effect on the dependent variable of ethical judgment.

PREDICTIVE RELEVANCE

Predictive relevance (Q^2) is to measure the predictive validity of a dependent variable (Stone 1974). The structural model with Q^2 higher than the value of zero is considered to have predictive relevance. Results showed that the Q^2 was 0.272, which was higher than zero, in which the structural model can provide a prediction of the ethical judgments.

HYPOTHESES TESTING

After demonstrating all the requirements of the measurement model, the data were analyzed and subjected to hypothesis testing. In this analysis, the hypothesized relationships between variables were assessed to conclude whether they were supported. The relationships

were indicated by path coefficient in beta value (β) and tested for their significance in t-values computed from the bootstrapping method. This reflects how the data support the hypotheses (Chin 1998; Sang et al. 2010).

The value of R^2 or coefficient of determination was also examined. R^2 signifies the number of variances of every independent variable which explains the dependent variable, and it is presented in percentage. Results indicated that Ethical judgment was explained by 59.0 % of organizational ethical climate, deontological, and teleological evaluations. The results further indicated that all the hypothesized relationships were supported. Ethical judgment was positively related to organizational ethical climate ($\beta = 0.165$, $p < 0.01$), deontological evaluation ($\beta = 0.485$, $p < 0.01$), and teleological evaluation ($\beta = 0.297$, $p < 0.01$). The result of the Structural Model is presented in Table 5, whereas the structural Model is shown in Figure 1.

TABLE 5. Structural model

Hypothesis	Relationship	Std. Beta	Std. Error	t-value	Results	R ²	f ²	Q ²
H ₁	OEC -> EJ	0.165	0.074	2.221*	Supported	0.590	0.066	0.272
H ₂	DE -> EJ	0.485	0.166	2.928**	Supported		0.286	
H ₃	TE -> EJ	0.297	0.171	1.737*	Supported		0.108	

OEC: Organizational Ethical Climate, DE Deontological Evaluation, TE: Teleological Evaluation, EJ: Ethical Judgment. * $p < 0.05$, t value is greater than 1.645. ** $p < 0.01$, t value is greater than 2.33. N: 141

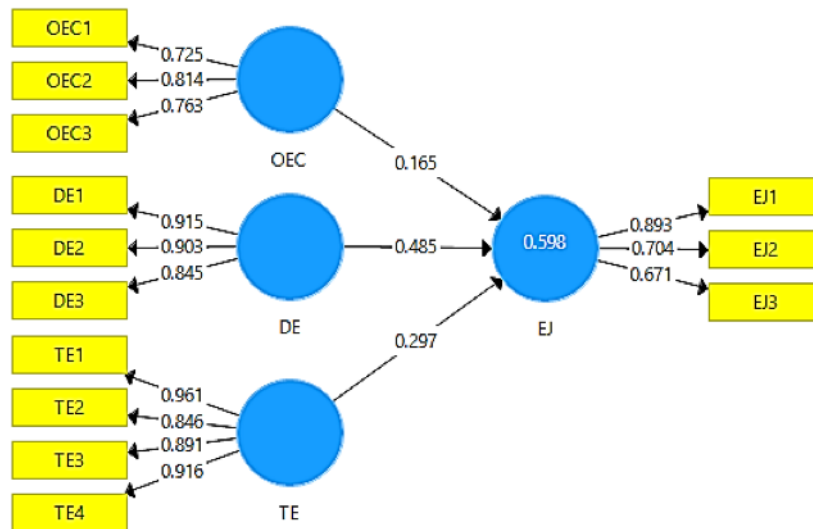


FIGURE 1. Structural model

DISCUSSION

The results supported Hunt and Vitell's Theory of Ethics (1986,1993) which postulates the factors of ethical judgments of Kota Bharu Municipal Council officials in the setting of the public sector in Malaysia. Results showed that the %age of the total variance of independent variables, specifically organizational ethical climate, and deontological and teleological evaluations, which impacted the formation of ethical judgments was 59.8%. Hence, the results indicate useful insights into what leads the officials in forming ethical judgments.

Organizational ethical climate was the first factor hypothesized to have a significant relationship with ethical judgments. Results supported hypothesis H_1 ($\beta_1 = 0.165, p < 0.01$). The findings indicate the importance of strong practice on ethical climate as a factor of ethical judgments, which has been proven in accounting and auditing (Haron et al. 2015; Shafer 2008), public sector (Abdullah et al. 2014), business (Hollingworth & Valentine 2015) and nursing (Hashish 2017). Stricter and stronger ethical climates tend to enhance ethical judgment (Hollingworth & Valentine 2015). Indeed, the municipal councils have taken various initiatives to create a sound ethical environment at the workplace. This is done through the implementation of a code of ethics, nurturing ethical values, inculcating spiritual and religious values, enforcing stricter and transparent rules and regulations as well as initiating ethical policy.

Deontological evaluation was hypothesized to have a significant relationship with ethical judgments. The result revealed a positive relationship between the variables H_2 , ($\beta_2 = 0.485, p < 0.01$) and supported previous research concerning deontological evaluations, which indicated that this variable influences ethical judgments in various accounting and auditing fields (Pan & Sparks 2012; Zakaria 2010b), students (Bicen and Gudigantala 2019), marketing and consumer (Bregman et al. 2015; Rallapalli et al. 1998) and pharmaceutical (Ren et al. 2020). The findings also supported Hunt and Vitell's Theory of Ethics (1986,1993) which postulates the relationship between deontological evaluations and ethical judgments in which deontological evaluations influence ethical judgments of Kota Bharu Municipal Council officials in the setting of the public sector in Malaysia. Thus, the more likely the officials rely on deontological evaluations, the more likely is the formation of ethical judgments.

Finally, the third hypothesis was formulated to examine a significant relationship between teleological evaluation and ethical judgments. Results supported hypothesis H_3 ($\beta_3 = 0.297, p < 0.01$). This current result supported the prior studies (Bicen & Gudigantala 2019; Bregman et al. 2015; Pan & Sparks 2012; Rallapalli et al. 1998; Ren et al. 2020; Sparks & Siemens 2014; Zakaria 2010b) in which they also found a significant relationship between teleological evaluations and ethical judgments. In other words, the more teleological evaluations are relied on, the more likely is the formation of ethical judgments. The officials in Kota Bharu Municipal Council have

no exception in facing the challenging situation which requires them to form an ethical judgment by considering the consequences to the majority of stakeholders. As suggested by Russo (2018), teleological evaluations provide a logical and rational argument for a judgment that an individual can use on a particular scenario basis and compare the desired results in each scenario.

THEORETICAL IMPLICATIONS

This study provides important theoretical implications since it supports and enhances the validity of Hunt and Vitell's Theory of Ethics, which proposed the variables, namely, organizational ethical climate, and deontological and teleological evaluations of ethical judgments. Hunt and Vitell's Theory of Ethics (1986, 1993) can be applied to the context of this study, which is the municipal council setting.

PRACTICAL IMPLICATIONS

The study contributes practical implications to management by highlighting the need to seriously emphasize creating a strong ethical climate setting in the workplace by having a comprehensive code of ethical conduct, rules, and regulations. This is to guide the officials in performing their day-to-day services and duties. The management should provide training to expose and educate the officials on the importance of ethical judgments to themselves and other stakeholders. They should be informed of the consequences of actions that would be taken upon them in terms of disciplinary actions, surcharge, or even terminations for any unethical actions that arouse from unethical judgments. As far as the government is concerned, this study will encourage them to improve their role in a corrupt-free society; for example, prohibiting unethical consequences such as corruption, bribery, misappropriation, and others in the future, thus enhancing the council's reputation.

CONCLUSION

The results indicated that all three factors namely organizational ethical climate, deontological and teleological evaluations were significantly related to ethical judgment. Deontological evaluation obtained the highest magnitude of impact, followed by deontological evaluation and organizational ethical climate. The results provide beneficial insights to policymakers, municipal councils, and municipal officials on the importance of creating a strong ethical climate on rules-based systems and the impact of the judgments on various stakeholders. Hence, it is hoped that inculcating ethics within municipal councils would motivate them to form ethical judgments; thus, leading to a corrupt-free institution.

The nature of municipal council officials' duties requires them to be close and serve the people within their jurisdiction. They must ensure that the interest of those people is protected by assuring them a safe place, good

infrastructure, and obtaining the best quality of services. All this can be realized if there are no unethical issues; therefore, it requires them to be ethical in all spheres of life specifically in forming ethical judgments. This finding indicates that ethical judgments of Kota Bharu Municipal Council officials are related to organizational ethical climate, deontological and teleological evaluations. These provide competent insights to the policymakers, authorities, academicians, and municipal councils on the importance of creating a strong ethical climate by educating the officials on rules-based systems as well as on the impact of the judgments on various stakeholders. It is hoped that inculcating ethics within municipal councils would motivate them to form ethical judgments which lead to a corrupt-free organization.

LIMITATIONS AND SUGGESTIONS FOR FUTURE STUDIES

The findings in this study may not be generalizable to all municipal council officials in Malaysia's local government. The sample size only represents municipal council officials from one state in Malaysia; thus, the findings are not generalizable to the entire country. Hence, future studies are suggested to replicate and investigate the ethical judgments of municipal council officials in other states. The similarities and differences are worth to be explored. Another limitation is that this study was a cross-sectional study whereby the respondents were assessed on their ethical judgments at a given point in time. The progress and improvement of the judgments cannot be ascertained. To overcome this, future studies are suggested to engage in a longitudinal period and conduct it in an experimental setting. The findings can show the progress of ethical judgments of the officials in a given period.

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