

BOOK REVIEW

The Impact of Organizational Ethical Climate on Organizational Commitment and Job Performance: An Economic Ethics Analysis of Japanese-funded Manufacturing Enterprises in China

By Keikoh Ryu, Singapore: Springer Nature, 2020*

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Keikoh Ryu's recent monograph, in exploring organizational ethical climate, organizational commitment, and job performance, is a valuable addition to the ethics literature. The book offers a novel assessment of the significant associations between ethical climate, performance, and commitment within organizations, with particular attention to Japanese multinational enterprises (MNEs) or, more specifically, Japanese-funded manufacturing enterprises (JFMEs) operating in China. The book is a timely contribution to both the academic community and the general public, who are increasingly concerned about corporate social responsibilities and business models (Crane et al., 2019; Freudenreich et al., 2020) in the context of the global debate on sustainable development. Such is particularly the case for MNEs due to their substantial roles in global trade, supply chains, and labor markets, and their significant influence on inclusive development that can benefit both businesses and employees in a sustainable way.

Investigations on organizational ethical climate are not new, but few have focused specifically on its association with MNEs' organizational commitment and job performance through an economic ethics lens. Numerous studies have been undertaken to advance our understanding of business ethics, a critical dimension of a responsible, accountable and transparent organizational decision-making process. Within the extant literature, the organizational ethical climate has gained increasing attention in recent years because the ethical climate has been recognized as a key contextual factor for improving firms' ethical outcomes, such as the willingness of employees to disclose unethical behaviors (Rothwell and Baldwin, 2007). However, as Ryu has also pointed out, more should have been done to expand this line of research because first, an organizational ethical climate is an indispensable part of a sustainable business model, and second, such analyses are still scarce (Wang and Hsieh, 2013). In this regard, the current study deploys the economic ethics perspective to address these important theoretical and practical voids.

Given the critical impact of organizational commitment and individual performance on firms' overall development, analyzing the role of organizational ethical climate offers a fresh way of thinking

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for associating an MNE's performance with non-market strategies and behaviors such as individuals' attitudes and commitment. Based on this orientation, the book engages with in-depth evaluations of the debates around key concepts and theories in relation to the central subject, and questions how these relationships can be identified through empirical data, analysis and findings.

The book is structured into seven main chapters, each of which deals with one specific topic, with detailed discussions being given on the concepts, theories, hypotheses, research design and analysis, results and findings, discussions, conclusions, and implications. The first chapter introduces the research background and summarizes the key questions, research implications and research structure. The 'research roadmap' oversees the relationships between the three main pillars of the research: organizational ethical climate, organizational commitment, and job performance, and outlines how the research is to be organized around the central topic, key variables, methods, analytical framework, and research outcomes. To visualize the book's structure, the 'Research Content' provides a convenient graph showing the associations between various chapters, themes, terminologies, and theories. The chapter weighs heavily on introducing the research context, with detailed introductions on how the historical development of contemporary China's economy has influenced the evolving ethical ideologies, premises and values in the country. It also distinguishes between Japanese and Chinese ethical values and seeks to highlight the ethical considerations of economic behavior in the context of China's market reforms.

In the second chapter, 'Literature Review', the book provides a critical review of the literature on the key theories involved in this study. The discussion on organizational ethical climate is supported by the evaluation of a wide range of literature on the concept, with detailed analyses of various definitions, types, structures and measurements being assessed. In contrast, the chapter's analysis of the literature on both organizational commitment and job performance could have been stronger since the discussion of these two terms is as important as that of organizational ethical climate. That said, however, these discussions do identify important research gaps arising from the existing literature on organizational ethical climate and the two variables. The chapter also pays considerable attention to the perspectives on economic ethics, an underlying theoretical framework used by this research. Here the focus is primarily on different interpretations of ethics in light of the main economic theories, the association between economic and ethical activities, and the research gap arising from these debates.

The study's research methods are discussed in Chapter 3, where a further introduction of the research background is provided regarding the scale of Japanese investment in China and the development of Japanese-owned MNEs in China. As well as identifying a research hypothesis, the chapter introduces the design of the research, including the sampling process, data description and data analysis methods, including the principal component analysis (PCA) and structural equation modeling (SEM) methods.

Following the analysis of the measurement models for the three key variables in Chapter 3, the next three chapters continue to discuss the data analysis process and the results of the analysis. Chapter 4 concludes by showing three distinctive styles of organizational ethical climate – the golden mean style, the social responsibility style, and the friendship-efficiency style – in JFMEs in China, with both normative and economic organizational commitment being found to be closely linked to China's investment environment. It is interesting, meanwhile, to see that both emotional commitment and ideal commitment are absent in JFMEs, which is not the case for Chinese firms. Chapter 5 goes further in discussing the impacts of these three styles of organizational ethical climate on both normative and economic organizational commitment. As the results show, due to Japanese business philosophy and the mix of Chinese and Japanese cultures, the golden mean style of organizational ethical climate has the most significant impact on normative commitment, while the social responsibility climate possesses the most significant impact on economic commitment. Chapter 6 further illustrates the findings of the empirical study. It shows that organizational ethics directly influences job performance through organizational commitment, including both social responsibility and friendship-efficient organizational ethics.

Chapter 7 reiterates the research findings that firstly, an organizational ethical climate has a positive impact on both job performance and organizational commitment, and secondly, organizational commitment is positively related to job performance. The study also finds that JFMEs in China have a strong interest in adopting the friendship-efficiency style of ethical climate to improve organizational commitment.

The findings of this research demonstrate the contribution of the economic ethics perspective to labor economics literature through a systematic analysis of corporate ethical concerns among JFMEs in China. Again, it is worth noting that such a perspective offers a unique angle for depicting the associations between organizational ethics, organizational commitment, and job performance in the context of global business competition brought by foreign investment in the manufacturing industry in the world's largest emerging economy. In the early part of the book, there could have been more discussions on the characteristics of Japanese business ethics, which are embedded in JFMEs when they operate in foreign countries, certainly including China. Nonetheless, the book is an interesting read as the findings will benefit the international business community that constantly needs a better understanding of the role of corporate ethics in facilitating commitment, performance, and productivity. In this respect, we should expect more works to follow this book and continue the critical debates around the issues of organizational ethical climate and business performance, which are crucial for achieving sustainable development for MNEs in an increasingly globalized world.

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