



## Increasing ethical decision making through flexible work arrangement

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**Abstract:** When faced with a particular ethical dilemma, individuals are expected to make ethical decisions through an ethical decision-making process (EDM). Today's employees provide added value to organizations that implement flexible arrangements to support employee's well being and work-life balance. This research was conducted through an online survey on 236 active employees with a minimum age of 22 years old in Indonesia. Likert scales were used to examine the effect of flexible work arrangements (FWA) mediated by work-life balance (WLB) on the level of EDM of individuals in organizations. The mediation results showed that FWA mediated by WLB significantly predicted an increase in individual's EDM level ( $b = .359$ ,  $SE = .116$ ,  $95\% CI = .152 - .607$ ). Positive implementation of FWA leads to balanced WLB which in turn increased the level of individual EDM.

**Keywords:** ethical decision making; flexible work arrangements; work-life balance

**Abstrak:** Ketika dihadapkan pada dilema etis tertentu, individu diharapkan untuk membuat keputusan yang etis melalui proses pengambilan keputusan etis (*ethical decision making/EDM*). Karyawan masa kini memberikan nilai tambah pada organisasi yang menerapkan pengaturan fleksibel untuk mendukung kesejahteraan dan keseimbangan karyawan baik di dalam maupun di luar pekerjaan. Penelitian ini dilakukan untuk mengetahui seberapa efektif sistem fleksibilitas kerja yang telah umum diterapkan di berbagai bidang pekerjaan di Indonesia terhadap EDM karyawan. Penelitian dilakukan melalui metode survei online pada 236 karyawan aktif di Indonesia dengan batas usia minimal 22 tahun. Alat ukur berbentuk skala Likert digunakan untuk menguji pengaruh *flexible work arrangements* (FWA) yang dimediasi oleh *work-life balance* (WLB) terhadap tingkat *ethical decision making* (EDM) individu dalam organisasi. Hasil analisis mediasi menunjukkan bahwa FWA yang dimediasi oleh WLB secara signifikan memprediksi peningkatan EDM individu ( $b = .359$ ,  $SE = .116$ ,  $95\% CI = .152 - .607$ ). Persepsi positif terhadap FWA memicu pencapaian WLB yang baik dan kemudian akan meningkatkan tingkat EDM individu dalam organisasi.

**Kata Kunci:** keseimbangan kehidupan kerja; pengambilan keputusan etis; pengaturan kerja yang fleksibel

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## Introduction

The application of ethical principles is very important in preventing unethical decision-making that can compromise the overall organization's activities (Ashari, Nanere, & Trebilcock, 2018; Bazerman & Sezer, 2016; Selart & Johansen, 2011). The implementation of unethical decision-making in an organization can be in the form of corruption, bribery, or embezzlement of funds. In the list of Bribery Payers Index (BPI) in 28 countries, Indonesia ranks the fourth in the list of entrepreneurs who bribed to smooth out their business affairs (BBC Reporter, 2011). Media content analysis studies conducted by the Founding Fathers House (FFH) also suggested that seven out of ten news stories were about bribery and corruption cases (Napitupulu, 2012). The latest data about Indonesia's Corruption Perception Index in 2019 placed Indonesia a high category, given that the country is ranked 85 out of 180 countries with a score of 40 out of 100 (Transparency International, 2019). Given these factors, codes of ethics and professional standards must be applied by every organization and employee in assessing how ethical and effective a particular solution or action is (Miner & Petocz, 2003). The adoption of such codes of ethics and standards of professionalism can then prevent losses that have a negative impact on the organization (Lincoln & Holmes, 2010).

When individuals are faced with ethical dilemmas, they follow decision-making processes that aim to identify possible solutions by considering the consequences of individual behavior in terms of the advantages or disadvantages of the effects of such solutions on those around them (Treviño, Weaver, & Reynolds, 2006). An ethical decision is an appropriate decision that can be accepted according to applicable social norms (Jones, 1991). In the EDM (ethical decision-making) process, a decision-maker needs to consider indi-

vidual, organizational, and social factors when making a decision (Craft, 2013; Musbah, Cowton, & Tyfa, 2016; Verbeke, Ouwerkerk, & Peelen, 1996).

The theories of contingency integration and differential association can be used to explain the influence of these factors on EDM (Ferrell & Gresham, 1985; Sutherland & Cressey, 1970). Both theories emphasize that the EDM process in individuals is not only influenced by organizational factors but also by the process of interaction with people or groups close to those involved. Thus, to inform the development of theories related to EDM, it is necessary to conduct further comprehensive research and to involve organizational criteria related to individual employees such as WLB (Eddleston & Mulki, 2017; Prowse & Prowse, 2015; Smith, 2010), job satisfaction, and turnover intention (Brough et al., 2014; Rawashdeh, Almasarweh, & Jaber, 2016).

Previous research divides the factors that influence EDM into two categories, namely individual and situational (Ashari et al., 2018; McDevitt, Giapponi, & Tromley, 2007). Individual factors that have been shown to influence the EDM process are gender, education level, and work experience (Musbah et al., 2016), and personality, and mood (Jones, 1991). Situational factors that play a role include work, organizational, and environmental contexts such as organizational ethical culture (Ardichvili et al., 2012; Cianci, Hannah, Roberts, & Tsakumis, 2014; Shafer & Simmons, 2011), organizational culture (Sok, Blomme, & Tromp, 2014), and the ethical leadership and the organizational ethical climates in which decision-makers are situated (Moore, Detert, Treviño, Baker, & Mayer, 2012; Musbah et al., 2016). In this study, research focuses on the effects on EDM of situational factors, namely the context and characteristics of the organization.

Culture in organizations that develop 'conductivity' can support effective EDM processes (Smith, 2010). One cultural aspect in organizations that can influence the EDM process is the application of flexible working arrangements (FWA). FWA are agreements regarding hours and workplace arrangements agreed upon by employees and the organization where they work (Kossek, Hammer, Thompson, & Burke, 2014) that provide flexibility for employees to arrange their own time and place of daily working (Southern Cross University, 2018). The application of FWA can thus accommodate the needs of employees so that they can fulfill their obligations and responsibilities both inside and outside the organization in a balanced way (Sirgy & Lee, 2018). The four common types of FWA are flexplace, flextime, telecommuting, and compressed workweeks (Thompson, Payne, & Taylor, 2015). In this study, only the flextime and telecommuting types as commonly used in Indonesia will be addressed (Pertamina, 2017).

FWA is considered as an alternative method in implementing organizational policies that can facilitate the needs of employees outside the work context, such as social interaction and spending quality time with family (Pedersen & Lewis, 2012). FWA has been widely applied in countries such as Australia and the United States to improve the effectiveness of employee performance by reducing direct supervision of employee performance and by solving work challenges such as travel-to-work problems (Anell & Hartmann, 2007; Pedersen & Lewis, 2012; Thompson et al., 2015). Employees who work at companies that implement FWA can manage their time more effectively in increasing work productivity without having to be physically present in the workplace (Timms et al., 2015). For example, by applying flextime employees can choose to go to work at between 10 a.m. and noon and thus avoid peak

traffic jams, allowing them to be more productive at work. Another option is the application of telecommuting, such as working from home or cafes via an internet network that is always connected to the organization.

The reduced direct supervision from superiors on daily work activities that results from such policies certainly has an impact on the way employees make ethical decisions (Allen, 2007; Pascual-Ezama, Dunfield, Liaño, & Prelec, 2015). In general, research has found that direct supervision from superiors has a positive effect on employee motivation and performance (Ariely, Kamenica, & Prelec, 2008; Pascual-Ezama et al., 2015), reflecting both the influence of coworkers (peer effect) and the intensive organization and supervision of workers by superiors (Pascual-Ezama et al., 2015). Other literature has found that, because there is no acknowledgment received from the company, the absence of direct supervision can result in decreased intrinsic motivation and the emergence of unethical behavior (Falk & Ichino, 2006).

To encourage EDM by employees who work flexibly, organizations need to consider the work-life balance (WLB) of their workforces (Eddleston & Mulki, 2017; Prowse & Prowse, 2015; Smith, 2010). WLB resolves conflicting needs inside and outside of work (Brough et al., 2014) and can be achieved through organizational policies that support employee welfare, such as the adoption of FWA (Pedersen & Lewis, 2012; Prowse & Prowse, 2015; Thompson et al., 2015). FWA can improve employee WLB because it allows workers to work in ways that allow them to use their time to pursue personal interests such as family events and hobbies (Galea, Houkes, & De Rijk, 2014).

The implementation of organizational culture that accommodates the needs of employees outside of work will reduce the level of stress and tension in the organization and this, in turn, will

support the achievement of good WLB for employees (Pedersen & Lewis, 2012; Skinner & Chapman, 2013). Effective WLB can ultimately increase a sense of belonging among employees and improve their morale and the ethical nature of their behavior (Smith, 2010). The Ethics and Workplace Survey shows that 91% of employees who follow FWA tend to behave more ethically when they have high levels of WLB. The survey results show that unethical individual behaviors in organizations are triggered by a lack of personal integrity and by job dissatisfaction derived from the inability to balance work and other personal needs (Behn, 1989).

FWA is a policy practice that provides autonomy for employees in balancing the fulfillment of needs in work and outside of work (Rawashdeh et al., 2016). FWA also provides flexibility for employees to determine variations in working time outside standard working hours and allows them to do work through internet access from any location. The resulting variations enable employee control over schedules and WLB and can develop employee productivity by minimizing time and energy compared to standard working hours (Grantham, Ware, & Swanberg, 2009; Siha & Monroe, 2006) for example by avoiding traffic jams during commuting. Through good WLB, employees will be able to easily distinguish what is good and what is wrong in particular dilemmas they encounter within the organization and thus to make ethical decisions. These ethical decisions have positive impacts on individuals and on the survival of the organization. In addition, FWA has generally been proven to improve employee morale, to accommodate needs and expectations, and to contribute to the success of the organization (Cole, 2006).

Previous research shows a positive relationship with FWA as a predictor (Allen, Johnson,

Kiburz, & Shockley, 2013; Cullbreath, 2010; Greenhaus & Allen, 2011; Lambert, Marler, & Gueutal, 2008; Masuda, McNall, Allen, & Nicklin, 2012; Palmeri, 2013; Siha & Monroe, 2006) of variables such as satisfaction, organizational performance, productivity, profitability, absenteeism, and WLB. As technology develops, work systems in organizations must be oriented to the needs of employees to increase the effectiveness and efficiency of the organization. Research related to the relationship between FWA and EDM tends still only to be related to moral issues (Pascual-Ezama et al., 2015; Rawashdeh et al., 2016; Robinson, 2005; Smith, 2010) and has yet to specifically explore the context of EDM. This study analyzes the effectiveness of flexible work systems currently commonly used as solutions in dealing with global change. The researcher considers that if the FWA system is effective, then it should be able to be applied across all fields of work.

Given the above context, this study aims to examine the relationship between FWA and EDM through the mediating role of WLB. The hypothesis proposed is that FWA can predict an improvement in EDM through the mediating role of WLB, as illustrated in Figure 1.

## Method

Participants in this study are employees who have worked or are currently working in Indonesia and with a minimum age limit of 22 years. This lower age limit was determined based on the theory of season of life (Levinson, 1986), which states that at the age of 22, individuals begin to be able to make important decisions related to work, friendship, beliefs, and lifestyle and are expected to have a more stable lifestyle than those in the very early years of employment.

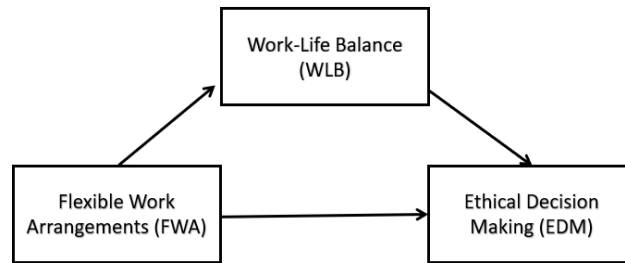


Figure 1.  
Research Model

Data collection was carried out using an online survey on the SurveyMonkey.com platform. The sampling method used was the snowball technique, in which participants are expected to invite people around them who have the characteristics needed to participate in the research. Each participant received research information and an informed consent agreement. They were then asked to respond to a set of surveys containing three flexible work-home items (Brink, 2004), four WLB items (Kalliath & Brough, 2008), and 19 items on the EDM scale (Dursun, Morrow, & Beauchamp, 2004) presented in random order. Finally, participants were asked to provide demographic data related to gender, age, occupation, marital status, and monthly income. All measuring instruments used in this study were adapted into Indonesian according to the stages of adaptation as described by Sousa and Rojjanasrirat (2011).

EDM is measured using the Ethical Decision-Making scale based on an approach to ethics in EDM (Dursun et al., 2004) developed by Fraser (2007). This scale consists of 19 items related to individual perceptions of EDM. Examples of statements are “It is important to comply with applicable laws or regulations” and “Decisions that have a positive impact are always good decisions.” The higher the score the higher the quality of EDM.

FWA was measured using a questionnaire containing three items related to an individual perceptions about working arrangements developed by Brink (2004). An example item in this questionnaire is a statement about the experience of “policies that support working parents”. Participants who scored highly demonstrate a positive perception of FWA.

The WLB scale was developed by Kalliath & Brough (2008) to reflect individual perceptions about the level of balance between working life and life outside work. Participants were asked to respond to four items reflecting on their work and non-work activities (activities involving family, friends, sports, and learning) during the previous few months. These statements were: “I currently have a good balance between the time I spend at work and the time I have for non-work activities”; “I have difficulty balancing my work and non-work activities”; “I feel that the balance between my work demands and current non-work activities is appropriate”; and “Overall, I believe that my work and non-work life are balanced”. Participants with high scores indicate good WLB.

Participants were asked to respond to all statements on a five-point Likert scale with answers ranging from 1 = strongly disagree to 5 = strongly agree. Some items were reversed and so the range of answers was also reversed.

Several items were added to the survey to control for participants' attention when completing the survey (Oppenheimer, Meyvis, & Davidenko, 2009), including comments such as "I am the current President of Indonesia". Positive scores to such statements, such as 5 = strongly agree, were used to indicate a lack of caution and focus and to eliminate inaccurate participant data from the analysis.

### Results

The sample in this study consisted of 236 employees from all over Indonesia aged between 22 and 55 years, split 52.5% female participants, and 47.5% male. The educational backgrounds of participants varied, but graduates predominated (60.6%), as did participants working in private companies (59.3%).

The mean, standard deviation, correlation, and reliability coefficients of the measuring instruments for each variable can be seen in Table 1. All measuring instruments are categorized as reliable, with Cronbach Alpha values for EDM, FWA, and WLB, respectively, of 0.82, 0.55, and 0.86. The reliability of the FWA gage is a little low because of the number of items that can be perceived differently by each participant. Correlation testing showed a score of 0.28 for the FWA and WLB variables and 0.25 for the FWA and EDM variables, while the correlation between WLB and EDM was

0.31. This indicates a positive correlation on all variables, with FWA increasing EDM either directly or through an increase in WLB which then increases EDM.

The analysis was performed using PROCESS macro (version 3.1) for SPSS (version 23) with model 4 mediation analysis. The confidence level in this analysis was 95% (CI) with an estimated 5,000 bootstrap samples as recommended by Hayes (2013). The results of the analysis can be seen in Table 2. Regression analysis was used to test the hypothesis of the relationship between FWA and EDM through WLB mediation. The analysis showed that FWA significantly predicted WLB ( $\beta = .408, SE = .089, p < 0.05$ ).

Furthermore, WLB significantly predicted EDM levels ( $\beta = .881, SE = .212, p < 0.05$ ). The results of this analysis support the research hypothesis that there is a positive relationship between FWA and EDM even after controlling for WLB as a mediator ( $\beta = .859, SE = .302, p = 0.004$ ), indicating that WLB mediation on the relationship of FWA and EDM is partial. The coefficient of the indirect relationship between FWA and EDM through WLB mediation was significant ( $\beta = .359, SE = .116, 95\% CI = .152 - .607$ ). Based on the results of the analysis the research hypothesis was accepted. There is a positive relationship between FWA and EDM mediated by WLB.

Table 1.  
Means, standard deviations, correlation, and reliability coefficients

	Mean	SD	FWA	WLB	EDM
FWA	10.59	1.99	0.55		
WLB	13.49	2.84	0.28**	<b>0.86</b>	
EDM	72.50	9.44	0.25**	0.31**	<b>0.82</b>

Note: The bold numbers in the table are the reliability values of the measuring instruments: FWA = flexible work arrangements; WLB = work-life balance; and EDM = ethical decision-making. The sign \*\* indicates a significant correlation.

Table 2.  
Mediation analysis

	WLB (Mediator)			EDM (DV)		
	Koefisien ( $\beta$ )	SE	$p$	Koefisien ( $\beta$ )	SE	$p$
FWA	.408	.089	.000	.859	.302	0,004
WLB				.881	.212	0,000
Indirect effect coefficients ( $\beta = .359$ , SE = .116, 95% CI = .152 - .607).						

Note: FWA = flexible work arrangements; WLB = work-life balance; and EDM = ethical decision-making.

## Discussion

This study was conducted to answer the research question of whether the application of FWA predicts an improvement in individual EDM through the mediating role of WLB. The research hypothesis proposed is that FWA is positively related to increasing the quality of individual EDM through WLB mediation. Based on the results of the research analysis, it can be concluded that the research hypothesis is accepted. There is a positive relationship between FWA and EDM, where FWA implementation predicts an improvement in individual EDM mediated by WLB.

The contingency framework approach explains that EDM in individuals is not only influenced by one factor but is the result of the interaction of several factors relating to individuals who carry out the EDM process, especially organizational factors. One of the influential organizational factors is the opportunity to apply FWA (flextime and telecommuting), which can influence the individual's decision-making process when facing a dilemma in the organization (Ferrell & Gresham, 1985). FWA is a policy practice that provides employees with autonomy in balancing the fulfillment of work and non-work needs (Rawashdeh et al., 2016).

The application of FWA influences the quality of individual EDM through the discretion employees have to manage working hours so that

they can balance the fulfillment of needs in the workplace and outside of work. Flextime, for example, is one type of FWA that provides flexibility for employees to determine variations in starting and finishing times of work in addition to standard working hours. The resulting variation can deliver employee control over personal schedules that enables balance in life (Grantham et al., 2009). Besides, FWA can develop employee productivity and minimize time and energy expended, in situations when, for example, employees need to balance health appointments with working commitments (Siha & Monroe, 2006), thus improving WLB. This is in line with the research hypothesis and the Ethics and Workplace Survey (Deloitte & Touche, 2007) which states that good WLB will enhance ethical behavior among employees, including in decision-making. WLB is important for employees to enable them to make decisions related to work, and such a balance can be achieved through the implementation of a good FWA system. FWA can also be an important factor for employees to consider when choosing a particular job (Smith, 2010).

The application of FWA is not only beneficial for employees but can bring benefits to the organization, including increased productivity, strengthening of interest in the organization among potential employees, and reduced employee turnover, all of which can assist the organization in saving on costs (Schaffer, 2017).

Besides, the improved balance between needs inside and outside the organization encourages employees to contribute to the effectiveness and efficiency of the organization, one example of which is through improving the EDM of individuals in the organization (Smith, 2010).

Conflicts between the needs of employees often lead to serious consequences, such as decreased productivity, burnout, stress, and high employee turnover (Rawashdeh et al., 2016; Sirgy & Lee, 2018; Skinner & Chapman, 2013). To avoid these problems, it is necessary to achieve a balance between needs inside and outside of work (WLB). In addition to avoiding conflicting needs, WLB involves a balance of commitment and satisfaction in all aspects of life (Sirgy & Lee, 2018). A good WLB for employees can maximize individual performance which in turn results in improved organizational productivity, increased job satisfaction, and strengthened organizational commitment (Greenhaus & Allen, 2011).

Differential association theory explains that ethical or unethical behavior carried out by individuals is studied through the process of interaction with their closest contacts, such as family and close friends (Sutherland & Cressey, 1970). The interaction process involves internalizing norms that can affect individuals in conducting the EDM process. The role of WLB in improving individual EDM is explained through the positive interaction process that results from the autonomy that is obtained when applying FWA in organizations. The application of FWA coupled with the support of organizational culture can encourage employees to achieve good WLB, resulting in employee morale reinforcement. Moral reinforcement in the form of effective employee EDM in the organization not only has a positive impact on employees' conditions but adds to the quality of the ethical culture that the

organization needs in dealing with changes in uncertain situations (Sirgy & Lee, 2018). The ethical decisions produced then have a positive impact on all aspects of the organization. As more and more benefits are seen from implementing FWA, many Indonesian organizations are starting to introduce such arrangements. For example, P&G and several Pertamina divisions have implemented flextime and telecommuting for their employees (Pertamina, 2017). Interestingly, the FWA implementation strategy was chosen by these organizations because it had been proven to significantly improve job satisfaction and employee WLB (Rawashdeh et al., 2016). Besides, FWA can be applied to employees with different backgrounds, lifestyles, and burdens, such as heads of households, mothers with toddlers, and people with elderly parents requiring care. The adaptability of FWA has also helped organizations to meet the needs of employees in response to technological developments and changing lifestyles and to improve employee morale, including within the individual EDM processes in the organization (Dane & Sonenshein, 2015; Smith, 2010; Southern Cross University, 2018). The application of FWA in Indonesia as a policy-oriented to the needs of employees including WLB is also seen as a recruitment strategy for the development of a higher-quality workforce (Idiagbon-Oke & Oke, 2011).

## Conclusion

This study shows a positive relationship between FWA and WLB on individual EDM in organizations. The application of FWA predicts an improvement in individual EDM in organizations through the mediating role of WLB. Positive individual perceptions of FWA can trigger the achievement of good WLB which will then improve individual EDM processes. The results of



this study contribute to the development of EDM theory in organizations and its links to FWA and WLB. Organizations can consider implementing FWA as a strategy to improve EDM and thus the effectiveness and efficiency of individual-oriented organizations.

Participants in this study include various employee characteristics in terms of age, marital status, type of organization, and gender. Although the research covers various types of occupations in Indonesia, differences in EDM perceptions will still arise. Weaknesses in this study are that differences between the type of work, type of organization, age, and gender that might affect the level of individual EDM in an organization are not analyzed. Future studies related to FWA and EDM

can investigate these aspects as factors that influence EDM.

Generational differences can also be used to predict individual EDM levels. Each generation has different norms and perspectives in doing a job. Besides, supervision is something that can be perceived differently by individuals across generations. Millennials will tend to regard supervision as a restraint and so see it as limiting the creativity and opinions of employees in the context of the EDM process (Weber & Urick, 2017). Thus, future research can further explore generational differences in EDM as well as influencing factors such as the influence of coworkers, the ethical behavior of superiors, and other individual factors such as religiosity and beliefs.[]

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