THE CORRELATION BETWEEN BUSINESS ETHICS AND CUSTOMER SATISFACTION AT PT. INDAH LOGISTICS CARGO COMPANY

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ABSTRACT

This study aims at identifying the correlation between business ethics and customers satisfaction in logistics sector. Where the quantitative method was used to conduct survey through questionnaire. And then, the questionnaire were distributed to customers and a Google-form platform was crested too. A 293 respondents of customers in logistics filed were found as accurate sample size from population. Research hypothesis were tested with Pearson correlation coefficients or also known bivariate coefficients using statistical software (SPSS 26.) where findings of this paper show that there is a strong positive and significant correlation between business ethics and customer satisfaction. Thus, these results are considered important for logistics managers and other business specialist in this filed while they are developing business strategies.

Keywords: Business Ethics, Customer Satisfaction, Logistics Managers

INTRODUCTION

Since last decades, business specialist knew that companies are responsible for their socio-environmental actions and behaviours. Where certain ethical and social obligations are needed so to carry out business operations (Peloza & Shang, 2011). Therefore, qualities and prices are not only the key elements in competitive advantages but also social and environmental ethical reputations which are the main factors to strengthen their public images today (Bussey and Chang, 2017). The daily debate of rights and acceptable actions are considered ethical aspects while doing business in a society. This is referred to the questions of correctness and social responsibility in business. Business ethics researches focus on the correct applicable behaviours that is considered as acceptable in business and society. Where companies can operate its business activities to satisfy its customer demands and needs (Arnold & Al, 2010). Nonetheless, ethical principles that are related to business, are paramount for business success in this modern business activities. Business ethics is further important because it can guide any firm whether it is large or small or newly or long-time established. Moreover, the code of conduct, social norms and values are identified as principles in business practice in a community. These principles can guide correct and trustful behaviours in workplace environment (Levis, 1985). Therefore, these statements expected to be a guidance for business-owner, managers, stakeholders and others partners of organisations. This provides also a guidance to business owners and managers when determining, setting up their regulation, organizational codes of conduct so to lead their activities. Business practices require basic ethical principles, such as fairness, transparency. Ethics is often defined as a systematics reflection on norms and values. In other words, the contents, meanings, changes, determinations and justifications of values and norms (Becker, 2019).

In today current competitive world, the success of any enterprises depends on its customers satisfaction, whether or not it has just been established or long-time ago. In other words, customers must be placed in company's first position before its profits because its overall growth performance will always depend on its customers satisfaction. Hence, several researchers found that today customers are willing to a company with on ethical practice and rules by changing to another enterprise which have ethical standards and considerations. Nowadays, many entrepreneurs or business-owners knew and understood that customers are the key players to their market growth and shared which will lead their company to effective and long-terms success and finally achieve their annual goals. When reviewing consumers satisfaction literatures, many studies focus on the current customers satisfaction level. This statement is the same line with the purpose of this paper which aims at determining the correlation between business ethics and customer satisfaction. At a logistics services company in particular. Long time ago, many entrepreneurs have understood that the correlation between business ethics and consumers satisfaction about the quality of products or services that are purchased and bought by their customers, can impact company overall performances and profitability. Namely, logistics and transportation companies (Mittal & Cooil, 2007).

Customer's satisfaction is one of the main elements for any company performance which has no doubt been accepted by several authors (Matzler & Al, 2004). Where it can be defined as the judgment or feeling of consumers towards a product after having used it for 1 or more times (Jamal & Naser, 2003). Customer satisfaction furthermore include several factors such as product or service availability, competitive prices, and fast response to customer demands (Takala, 2003). Thus, satisfaction would be understood as subjective process where a customer may compare his or her personal ideas to a current reality of a service or product which an enterprise produces or offers (Anderson & Al, 1994). In business, customers are people who often use or buy products or services of enterprise so to fulfil their needs from the markets. As a result, business should analyse and be clear about their customer relationship strategies that related to its products quality in order to attract and maintain in long terms relations with its potential and former consumers. Customer satisfaction plays a positive and significant place theoretically and also in practice for business-owners, entrepreneurs and managers, especially customer relationship managers in an organisation (Munusamy, Chelliah, 2010). Business ethics can boost the level of customer satisfaction as stated by Garcia and Rodriguez (2017). Additionally, from the researches of Asharaf and Tahir (2017), business ethics can influence a company customer satisfaction level positively and

directly. Where Junaid (2016) infirmed that consumer satisfaction and their retention can have a positive correlation and with the business ethics for an organisation.

LITERATURE REVIEW

a. Business Ethics

Several studies in past years, have been done so that to investigate the correlation between the perception of ethical practices and customer satisfaction at the business level and individual level mentioned by Jaramillo et al (2012) and valenuela (2010). In common, ethics is defined as a systematic reflection on behaviours that are in line with social norms and values (Becker, 2019). According to San-Jose (2018) business ethics has three levels which are individual, organisational and macro. In other terms, the differences amongst acceptable actions and justified rules and regulations, and truthful behaviours managers or entrepreneurs are declared as ethical principles. Nonetheless, ethics was first studied in business in early 1945 when many individual employees were fighting for their rights in industries (Mladenivic & Al, 2019). Furthermore, O'Fallon & Al, (2005) said that: ''many theoretical approaches that are applied to ethics were developed in mid-1980 and early 1990s. A firm profits will not only considerably be increase and developed but also sustainable through positive and effective association between business ethics and customer satisfaction. Business ethics is nonetheless, about the moral rules, code of conduct, principles and standards that guide correct and trustful behaviour in a business situation (Lewis, 1985). Pivato et al (2007) put that the social commitment of a business can creates trust between firm and customers. Thus, this would generate a positive effect on firm brand loyalty. In addition, ethical standards would make things easier, for an organization, to achieve not only strategic advantage but also to distinguish it from other in market (Ahmad, 2009). Business practices require basic ethical principles, such as fairness, transparency. They cannot expand profits without the truth correlation between themselves and various parties that are involved explained by Drago & Zoran (2015).

b. Customer Satisfaction

In marketing management, customers satisfaction is one of the main elements for any company performance which has no doubt been accepted by several authors (Matzler & Al, 2004). As a general definition, customer satisfaction can be defined as a customer's judgment or feeling towards a product or service after having used it for 1 or more times (Jamal & Naser, 2003).
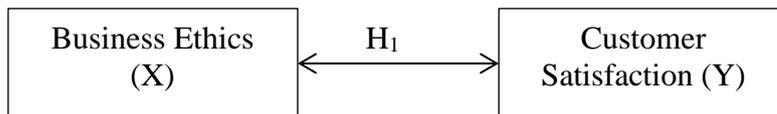
Nowadays, the success of any enterprises depends on its customers satisfaction, whether or not it has just been established or long-time ago. In other words, customers must be placed in company's first position before its profits because its overall growth performance will always depend on its customers satisfaction. Hence, several researchers found that today customers are willing to a company with on ethical practice and rules by changing to another enterprise which have ethical standards and considerations. Gray (2004) pointed out that satisfaction is not important to the product or service itself, but it come from the consumers perception toward the products or services. So, different customers can define satisfaction differently for the one experience with a product or service (Eggert & Laroche, 2007). Kotler (1996) furthermore supposed that satisfaction is the distinction between expectation and perception where customer satisfaction is whether a positive or negative feeling which come from the distinguish between pre-consumption expectations and post-consumption perceptions. Customer satisfaction furthermore include several factors such as product or service availability, competitive prices, and fast response to customer demands (Takala, 2003). Thus, satisfaction would be understood as subjective process where a customer may compare his or her personal ideas to a current reality of a service or product which an enterprise produces or offers (Anderson & Al, 1994).

A firm customer are people who often use or buy products or services of enterprise so to fulfil their needs from the markets. As the changing behaviours might affect a company overall revenue and reputation, thus it is significant for firms to pay more attention in retaining their current customers by stimulating customer satisfaction (Donaldson & Lee, 2012). It can provide long-term partnership advantages such as positive word-of-mouth, customer loyalty and others as mentioned by Dant & Rai (2015). Therefore, business ethics has been described as a good marketing strategy and influential element which may motivate customer requirements and needs (Green & Peloza, 2011). The recognition of the correlation between business ethics and customer satisfaction for business performance is considered as an important aspect in marketing-based ethical research with objectives of developing most appropriate business strategy. Although, much investigations has been carried out in the literature the correlation between business ethics and customer satisfaction, there is still more need for further research into this field which is correlation between business ethics and customer satisfaction.

RESEARCH METHOD

This study uses quantitative approach. This quantitative research tests theory objectively to analyse the relationship between variables. This type of quantitative research has descriptive questions about dependent and independent variables and correlation between independent and dependent variables (Cresswell, 2013). This paper is a descriptive explanatory study which describes the correlation between research variables at PT. Indah Logistics Cargo in Kota Malang. Research hypothesis are tested with Pearson Correlation Coefficients (r) model. Population is the characteristics of a group of research of which they have it in common (Cresswell, 2013). In addition, the population in this research are all customers at PT. Indah logistics Cargo Company in Malang. The sample is the small portion from population that represents the total population (Fowler, 2013).

This study used a random proportional sampling technique. In this study, the sample determination was carried out by using the proportional random sampling techniques. or jobs. Therefore, one of the formulas that can be used to determine the number of samples from the population is using Slovin's formula. The sample size is 293 customers from total numbers of the population. The researcher has used questionnaires as an instrument. A research instrument is a tool with which he can collect research data (Neolaka, 2016). In this study, there are (2) two variables, namely Business Ethics (X) and Customer Service Satisfaction (Y). Where questions of this study are closed questions. Therefore, this study used quantitative data and quantitative data are numerical data. The primary data sources were customers at PT. Indah Logistik Cargo Company, Kota Malang. In contrast, the secondary data sources were obtained from the internet through reliable sources. This study uses the 5 Likert Scale. Strongly Agree (SA): **5,** Agree (A): **4,** Fairly Agree (FA): **3,** Disagree (D): **2,** and Strongly Disagree (SD):**1.** Finally this study used Pearson coefficient also known as bivariate coefficients or the Pearson product-moment correlation coefficient.

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┌─────────────────────┐        ┌─────────────────────┐
│  Business Ethics    │  H₁    │     Customer        │
│       (X)           │ <────> │  Satisfaction (Y)   │
└─────────────────────┘        └─────────────────────┘
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A. Pearson's Correlation Coefficients (r) Analysis

There are different types of correlation coefficients. Nonetheless, the most used is Pearson correlation (r). Because this is a parametric recommended when variables are normally distributed. The relationship between variables also is linear (Jaad, 2019). Thus, this method would identify association between two group of variables.

Table 4.5 Correlation Coefficients for Research Variables

Variables			Customer Satisfaction				
			Cost of Delivery	Fast Delivery	Good Packaging	Lead Time	Good Reputation
Business Ethics	Honesty	.659** (<.001)	.018 (.761)	-.158** (.007)	.055 (.346)	.189** (.001)	-.018 (.754)
	Integrity	.165** (.005)					
	Loyalty	-.035 (.553)					
	Respect	.653** (<.001)					
	Responsibility	-142* (.015)					

**correlation is significant at level 0.01 (2-taied)
*correlation is significant at level 0.05 (2-taied)

There is a strong positive and significant correlation between business ethics and honesty. So, it can be statistically interpreted that honesty coefficient r = 0.659 and P-value = <.001. And this result is shown it in table 4.5 above. There is a perfect positive and significance correlation between variable integrity and business ethics with a coefficient r = 0.165 and P = 0.005. That has also been demonstrated in the table 4.5 above. Moreover, the third variable is the respect for other. It has also a positive and significance association with business ethics. Mathematically, r = 0.653 and a P= <0.001. Thus, these three variables are positively and significantly correlated with business ethics. The 4 fourth variable is loyalty. However, there is a negative correlation between Loyalty and business ethics where its coefficient found as r = -0.035 and significant P= 0.553. Nonetheless, there is a negative and insignificant association between business ethics and responsibility. Where correlation coefficient and P-value are as R= -0.142 and P= 0.015. However, variable responsibility is one of the main elements for organizations to consider. The correlation coefficient of cost of delivery is R= 0.018 and P= 0.761. The second variable is fast delivery. There is a negative and insignificant association between fast delivery and customer satisfaction. The coefficient and p-value are as r = -0.158 and P= 0.007. Good

packaging is positively correlated with customer satisfaction where r = 0.055. However, there is no significance between the two variables because P= 0.346. The fourth variable is Lead Time. There is a perfect positive and significant correlation between lead time and customer satisfaction. With a coefficient and p-value as r = 0.189 and P= 0.001. So, it can be concluded that literally this is a positive and significant correlation between these variables as shown in 4.5. Customer satisfaction furthermore, include several factors such as delivery time and lead time, competitive prices, a fast response to customer demands (Jamal, Takala &Naser, 2003). Hence, customers' satisfaction would be understood as subjective process where a customer may compare his or her personal ideas to a current reality of product or service (Anderson & Al, 1994). The fifth and last variable in customer satisfaction group is Good Reputation. Where tis study results show there is a negative correlation between Good Reputation and customer satisfaction but there is no significance among them. Good reputation coefficient as R= -0.018 and P= 0.754 which is greater than P= <.005.

B. Hypothesis Testing (H0 & H1)

Hypothesis are tested with Pearson correlation coefficient (r) model in this research. The null hypothesis and alternative hypothesis (H0 & H1) are therefore accepted or rejected based on the following criteria:

1) If the P-value (P= >0.05) then H0 is accepted and Ha is rejected. Where it would be reported that the coefficient obtained from correlation coefficient and P-Value in bivariate correlation analysis is not significant.

2) If the P-value (P= <0.05) then H1 will be accepted and H0 is rejected depending on the correlation coefficients and P-value.

The alternative or first hypothesis (H1) stated that business ethics has a positive and significance correlation with customer satisfaction. It is considered as positive because there is a significant P-Value (P= 0.001) which is less than (< 0.05). so, It would be interpreted that null hypothesis (H0) is rejected. And hypothesis 1 (H1) is accepted. So, there is a positive and significance correlation between business ethics variables and customer satisfaction variables at Indah Logistics Cargo Company.

DISCUSSION

- **The correlation Between business ethics and customer satisfaction**

The correlation between business ethics and customer satisfaction for better performance is considered as an important aspect in all business industries.

Business ethics has five key performance indicators (KPI) that are mentioned in this study but considered as one group of variables denoted as independent variables (X). The first variable of business ethics group is honesty. Where it is found that there is a strong positive and significant correlation between business ethics and honesty. So, it can be statistically interpreted that honesty coefficient r = 0.659 and P-value = <.001. And this result is shown it in table 4.5 above. There is a perfect positive and significance correlation between variable integrity and business ethics with a coefficient r = 0.165 and P = 0.005. That has also been demonstrated in the table 4.5 above. Moreover, the third variable is the respect for other. It has also a positive and significance association with business ethics. Mathematically, r = 0.653 and a P= <0.001. Thus, these three variables are positively and significantly correlated with business ethics. This present finding is found in the studies of San-Jose and Levis (2018 & 1985). The 4 fourth variable is loyalty. However, there is a negative correlation between Loyalty and business ethics where its coefficient found as r = -0.035 and significant P= 0.553. But, loyalty in business is highly recommended. Final variable is the responsibility. Nonetheless, there is a negative and insignificant association between business ethics and responsibility. Where correlation coefficient and P-value are as R= -0.142 and P= 0.015. However, variable responsibility is one of the main elements for organizations to consider.

In this study, customer satisfaction is described as a group of variables. In the group of customer satisfaction variables, the first variable is cost of delivery. From the result, there is a negative and insignificance correlation between cost of delivery and customer satisfaction. The correlation coefficient of cost of delivery is R= 0.018 and P= 0.761. The second variable of customer satisfaction group is fast delivery. Where there is a negative and insignificant association between fast delivery and customer satisfaction. The coefficient and p-value are as r = -0.158 and P= 0.007. Furthermore, another variable is good packaging. Good packaging is positively correlated with customer satisfaction where r = 0.055. However, there is no significance between the two variables because P= 0.346. The fourth variable is Lead Time. There is a perfect positive and significant correlation between lead time and customer satisfaction. With a coefficient and p-value as r = 0.189 and P= 0.001. So, it can be concluded that literally this is a positive and significant correlation between these variables as shown in 4.5. Customer satisfaction furthermore, include several factors such as delivery time and lead time, competitive prices, a fast response to customer demands (Jamal, Takala &Naser, 2003). Hence, customers' satisfaction would be understood as subjective process where a customer may compare his or her personal ideas to a current reality of product or service (Anderson & Al, 1994). The fifth and last variable in customer satisfaction group is Good Reputation. Where tis study results show there is a negative correlation between Good Reputation and customer satisfaction but there is no significance among them. This is good reputation coefficient as R= -0.018 and P= 0.754 which is greater than P= <.005.

CONCLUSION

This study has firstly examined the correlation between business ethics variables and customer satisfaction variables at Indah Logistics Cargo company in Malang City. Secondly, the results of this study has furthermore analysed and found out that there is a positive and significance correlation between business ethics variables and customer satisfaction variables at Indah Logistics Cargo company. As a result, business ethics can have a positive and significance association with customer satisfaction. Thus, at Indah Logistics Cargo Company, there is a relationship between business ethics variables and customer satisfaction variables on this finding of this study. In fact, business ethics variables and customer satisfaction variables have some correlation that can boost the performance of logistics companies.

    a.   Limitations

The correlation between variables has some limitations. The association between two variables or independent variables and dependent variables is one of the main limitations of Pearson correlation coefficients. In other saying, bivariate correlation coefficients are quite sensitive to research anomalies and the numbers of observations are often few. Hence, it cannot furthermore always be recommended for a high practical to determine business decisions because it sometime over-simplify in a real business.

    b.   Recommendations

The results of this study is regarded as reference and informative documents for business Managers and entrepreneurs. Based on the results of study, logistics services mangers and practitioners can enhance their business ethics programs in order to best manage business operations for better profits. This finding can furthermore help other researchers and professional business practitioners to coordinate significantly their daily operations. In addition, The findings of this research has practical implications. Hence, it is expected that further research will be initiated a qualitative or mixed method that would give further details but with the respect of findings from this study.

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