

A Study of Cultural Diversity and Ethical Climate towards Employee Selection in Higher Education Institutions

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ABSTRACT

This study investigates the critical role of employee selection processes in organisational success, focusing on the impact of cultural diversity (CD) and ethical climate (EC) within Higher Education Institutions (HEIs) in Northern Malaysia. Employing a quantitative methodology and a descriptive research design, data were collected from academic staff through a structured questionnaire. The analysis using SPSS software reveals strong positive correlations among employee selection, CD, and EC. The Kaiser-Meyer-Olkin (KMO) measure and Bartlett's Test of Sphericity confirm the data's suitability for factor analysis, while Cronbach's alpha coefficients indicate robust internal consistency. The findings underscore the importance of aligning employee selection processes with organisational strategies and values to attract competent employees. Additionally, effective management of CD enhances financial performance, competitive advantage, and profitability. An EC significantly promotes ethical behaviour, job satisfaction, and organisational performance. The study highlights practical implications for integrating diversity and ethical considerations into selection strategies, providing valuable insights for human resource management and organisational behaviour. The research emphasises the need for a holistic approach to talent acquisition by demonstrating how selection practices influence organisational outcomes. This approach fosters inclusivity and ethical leadership, ultimately contributing to long-term organisational success. These findings comprehensively understand employee selection, CD, and EC dynamics in enhancing institutional effectiveness and achieving strategic goals in HEI settings.

Keywords: Cultural Diversity, Employee Selection, Ethical Climate, Social Identity Theory

1. INTRODUCTION

Managing human resources is vital because, without labour, other organisational functions cannot operate effectively. Any company hoping to develop effectively requires knowledgeable employees with in-depth industry knowledge. The abovementioned situation supports the increasing concentration on the human component of organisational wealth. When it comes to achieving its final goal, an organisation's personnel's performance is crucial. So, every organisation has to develop and apply a unique framework for managing its human aspect to achieve greater work-life balance and higher performance. The first step in implementing this system must be identifying eligible individuals to fill vacant jobs, and it should be goal-oriented recruiting and selection (Phillipa et al., 2023). Comparatively, the selection comprises assessing candidates following objective, measurable criteria.

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A robust recruiting and selection process are also essential for every successful organisation (Phillipa et al., 2023), as having the right personnel enhances and sustains organisational performance. Every company wants its hiring process to impact two important business outcomes: productivity and financial success.

According to Aliyu (2021), the more effectively a company selects and hires candidates, the higher the probability it will hire and retain satisfied employees. Effective selection involves more than just finding the right candidate for a job; it also saves money, enhances candidate and market perceptions of the company, and identifies, engages, and contributes the best talent to accomplishing productivity and financial goals. Because what the business provides will be of higher quality, selecting and retaining the finest applicants would undoubtedly improve performance. An organisation or corporation may hire the finest candidates and ensure that it will keep its commitment to providing equal chances for all workers by adhering to an effective selection policy. Additionally, meeting employment criteria is ensured by an efficient recruiting and selection procedure.

Strong hiring and selection procedures are essential for every successful business, according to Gupta and Praveen (2023), since having the right personnel increases and sustain organisational performance. Every organisation wants its selection process to impact productivity and financial performance, two important business objectives. The goal of the employee selection process is to find people who have integrity, strong ethical principles, and decent behaviour, according to Munaty et al. (2022). To motivate employees to put up their best effort at work, hiring people who can and will execute their job duties and who will feel loyalty and belonging to the company is important. Those who exhibit steadfast dedication, honesty, inventiveness, and drive must be carefully considered to safeguard the company's interests.

In human resource management, employee selection is critical and requires serious attention. Failure to execute effective employee selection can negatively impact an organisation. Statistics from the Society for Human Resource Management (SHRM) indicate that more than 50% of organisations need help to fill vacant positions with qualified employees, which can lead to significant financial losses and decreased productivity (Fyre, 2017). The costs of replacing employees, including advertising, interviewing, training, and the time taken to adapt to a new job, can impose significant financial strain on an organisation (Phillipa et al., 2023). Moreover, errors in employee selection can also affect the organisational culture and workplace safety. Employees who do not fit the organisational culture may disrupt harmony and stability in the workforce, while unqualified employees may increase the risk of injury and accidents in the workplace (Phillipa et al., 2023).

Therefore, every organisation must implement a thorough and goal-oriented employee selection process to ensure long-term success. This includes identifying clear selection criteria, conducting thorough assessments of candidates based on objective and measurable criteria, and ensuring the organisational culture and values are compatible with the selected candidates (Phillipa et al., 2023). By doing so, organisations can reduce the risk of employee selection failures and achieve better long-term performance. Diversity management issues are abundant in organisations and must be proactively identified and appropriately addressed (Tamunomiebi & Ehior, 2019). Prejudice and discrimination are more prevalent in settings with diverse sets of individuals. For an organisation to survive, the company needs to manage and utilise its equality principle. Once these policies are in place, the company can implement diversity measures throughout the organisation. When hiring employees, qualifications should be based on the quality of their experience, not age or any other category. When a diverse, qualified workforce is hired, the manager will be able to manage diversity in the organisation. The skills of qualified employees need to be utilised, and favouritism and discrimination should be discouraged among employees.

According to a report by the SHRM, the cost of a bad hire can be significant, ranging from 50-150% of the employee's annual salary (Fyre, 2017). This cost includes expenses related to recruitment, selection, training, severance pay, and lost productivity. For example, if a position's annual salary is \$50,000, the cost of a bad hire could range from \$25,000 to \$75,000 or more. This is the one specific statistical data point related to recruitment and selection failures: the cost incurred by organisations due to wrong hiring decisions.

The SHRM data underscores the significant costs associated with hiring errors, which are just as relevant today in Malaysian Higher Education Institutions (HEIs). These institutions face unique challenges in aligning new hires with their goals, attracting qualified candidates, mitigating selection bias, and ensuring retention. Addressing these issues through improved selection processes, standardised interviews, and strategic planning can help HEIs minimise the costs and negative impacts of poor hiring decisions.

In the context of HEIs, the main problem of selection lies in attracting and retaining highly qualified staff amid financial constraints, demographic shifts, and the need for a culturally diverse and ethically sound environment (Pedró, 2023). This research shows HEIs often face significant financial limitations, making it difficult to offer competitive salaries, leading to fierce competition for top talent, especially in specialised fields. Besides, the aging workforce poses a challenge as many faculty approach retirements, necessitating effective succession planning. Ensuring an inclusive and fair selection process that promotes diversity and ethical standards is also critical but challenging. High workloads and job dissatisfaction among existing staff due to staff shortages further complicate the selection process, leading to rushed and potentially biased hiring decisions. Addressing these issues, Pedró (2023) requires strategic approaches, including professional development programmes, improved working conditions, inclusive practices, and increased support from governments and funding organisations.

This research investigates how each relates to employee selection, cultural diversity (CD), and the ethical climate (EC) at HEIs for the public and private sectors. The wrong impression that candidates may have of the company due to a poorly thought out and executed hiring procedure might significantly impact the candidates' future professional connections. Because incorrect practices convey the wrong message, successful applicants may arrive at work with a bad picture (Phillipa et al., 2023). Therefore, the recruiting and selection process is anticipated to follow the country's distinctive characteristics, industry, and—most importantly—the overall organisational strategy, vision, and values that will attract competent employees for optimal performance.

2. LITERATURE REVIEW

According to Phillipa et al. (2023), employee selection is the process by which an organisation selects the candidates who best fit the requirements for the advertised job from a list of potential participants recruited by the recruiting activity. On the other hand, selection refers to choosing the best applicant or applications for a position from a pool of candidates.

CD can be broadly defined as recognising, understanding, accepting, valuing, and interacting differences among individuals in terms of age, class, ethnicity, gender, physical and mental ability, race, sexual orientation, spiritual practice, and socioeconomic status (Tjimuku & Atiku, 2024).

According to Barattucci et al. (2021), the traditional definition of an ethical work environment is 'a collection of common views of codified and informal policies and procedures that shape expectations for ethical behaviour within an organisation or a company'. The current perceptions of typical organisational practices and procedures with ethical content constitute an ethical work

environment (Itzkovich et al., 2020), which incorporates employee opinions about the level of ethics in workplace policies and procedures.

2.1 Relationship between Cultural Diversity (CD) and Employee Selection

According to Orsini and Watanabe (2023), diversity is the range of traits that set an individual apart. These attributes include gender (e.g., women), race, ethnicity, culture (e.g., foreigners), age (e.g., old people), education, knowledge, religion, civil status, or disability (Sabiu et al., 2019). CD management is particularly important for multinational firms since, as a subgroup of foreign workers, expatriates need to understand why local staff members support them in the first place.

According to Othman and Fouda (2022), CD and multiculturalism are two concepts that are often used interchangeably. A set of beliefs and behaviours known as multiculturalism respects and recognises all different groups within an organisation or society, values and recognises their sociocultural distinctions, and encourages and supports these groups' continued contributions within an inclusive cultural framework.

The research conducted by Taamneh et al. (2022) revealed that managers and decision-makers in organisations exhibit an intense curiosity in addressing CD. The researchers determined that CD may enhance an organisation's financial performance, increase profitability, and provide a competitive advantage. A study conducted by Inegbedion et al. (2020) showed that managing CD, resolving disagreements, and addressing employee concerns about exclusion from management choices all contribute positively to diversity management. A company's diversity management will be more efficient if it considers the employees' sentiments on exclusion, conflict, and diverse cultures.

Despite the considerable attention given to CD and its implications for organisational dynamics, more empirical research still needs to address specific aspects of its influence on employee selection processes. While existing studies, such as those by Taamneh et al. (2022) and Raewf et al. (2021), indicate the potential benefits of CD in enhancing financial performance and providing competitive advantages, there is a notable absence of empirical evidence exploring how CD directly impacts employee selection practices within organisations. Furthermore, while multiculturalism is recognised as an important framework for fostering inclusivity and recognising sociocultural distinctions within organisations, empirical studies examining its integration into employee selection processes are scant, particularly in the context of HEIs.

Additionally, while there is an acknowledgment of the importance of managing CD and addressing employee concerns related to exclusion and conflict, empirical research investigating specific strategies and interventions for effectively managing CD in the context of employee selection remains to be limited. Therefore, there is a pressing need for further empirical investigations to fill these gaps, providing valuable insights for organisations seeking to enhance their diversity management practices and optimise their employee selection processes.

Some previous studies have researched CD. According to Tjimuku and Atiku (2024), the researcher was researching to address workplace diversity to improve employee performance implications for state-owned enterprises (SOEs) in Namibia. This research aims to provide insights into the influence of specific diversity dimensions such as age, educational background, ethnicity, gender, and religion on employee performance. Tjimuku and Atiku (2024) found that age diversity and educational background diversity have an indirect relationship with employee selection and employee performance, which indicates that if employee selection is good, it could positively impact performance.

2.2 Relationship between Ethical Climate (EC) and Employee Selection

The significance of EC in enhancing organisational performance and the selection process is underscored in the research (Sabiu et al., 2019). Establishing ethical principles for employees and fostering a work environment that promotes moral conduct, effective leadership, trust, loyalty, and value creation are crucial for enhancing organisational performance. The EC promotes and mandates that employees adhere to ethical standards while performing their organisational duties. The significance of ethical conduct shown by employees is widely recognised as crucial for an organisation's advancement and effectiveness (Sabiu et al., 2019). While prior studies have extensively documented the antecedents and outcomes of ethical climate within organisations, there remains a notable gap in empirical research concerning the nuanced interplay between ethical leadership, moral attentiveness, and workers' ethical behaviours. Specifically, there needs to be more empirical investigations that comprehensively examine how moral attentiveness mediates the relationship between ethical leadership and employee ethical conduct.

Furthermore, the existing literature primarily focuses on the direct effects of ethical leadership on workers' ethical behaviours, overlooking the potential indirect influence of establishing an ethical atmosphere. Additionally, empirical research exploring the role of ethical climate in enhancing organisational performance is limited, with few studies providing comprehensive insights into the mechanisms through which ethical principles, effective leadership, and trust contribute to value creation and performance improvement. Therefore, there is a critical need for further empirical studies that delve deeper into these relationships and employ robust methodologies to elucidate the mechanisms underlying the influence of ethical leadership and ethical climate on workers' behaviour and organisational outcomes. Addressing these empirical gaps will enhance theoretical understanding and provide practical insights for organisations seeking to foster ethical cultures and improve performance.

Based on the previous study, Al Halbusi et al. (2021) analyse whether moral attentiveness augments the positive effect of an ethical on employees' ethical behaviours, as well as the indirect effect of ethical leadership on employee ethical behaviour through an ethical climate. The findings show that by evoking enhanced ethical behaviour among employees, managerial ethical leadership constitutes a motivating factor that rests on employees' perception of an ethical climate within their organisation, and it also can help robust the selection process.

2.3 Social Identity Theory

Social Identity Theory, based on Tjimuku and Atiku (2024), describes how people classify others into various social groups and how this influences their attitudes and actions. In addition, the researcher cites Tajfel and Turner (1979) proposal as the source of this concept of social identity. According to Tjimuku and Atiku (2024), there are other contexts in which this theory might highlight the significance of people's affiliation with certain social groupings based on cultural variety. As per the social identity method, employees have good self-esteem and build a sense of belonging when they identify with their group. Researchers examined the effects of group identification based on diversity dimensions, revealing where its impact on employee motivation, commitment, job satisfaction, and performance outcomes. In addition, Yener et al. (2018) discussed the relationship between social identity and the organisational framework. Groups and persons work together in organisations to attempt to answer the questions, "Who am I?" and "Who are they?" The process by which individuals identify themselves about their affiliation with an organisation is known as organisational identification and is acknowledged as a social identity.

The Social Identity Theory is a component of the social identity approach, a widely utilized theoretical framework within social psychology. The concept posits that individuals tend to

perceive themselves as belonging to a collective entity, such as a specific organisation, under certain circumstances while perceiving themselves as distinct and autonomous in alternative situations. The field of social psychology, known as social identity theory, examines the reciprocal influence of individual and collective identities. Social Identity Theory aims to elucidate and project the circumstances in which individuals perceive themselves as autonomous beings or as constituents of a collective entity. Furthermore, the theory examines the influence of individual and societal characteristics on cognitive processes and behavioural patterns within clusters.

According to Tjimuku and Atiku (2024), the theory highlights how important it is to identify with certain social groups based on common traits, including age, gender, ethnicity, religion, and educational attainment. The social identity hypothesis states that when workers identify with their groups, they get a feeling of belonging and a good self-image from participating in such groups. This thereby impacts their attitudes, actions, and performance inside the company. Depending on Social Identity Theory, research has examined how group identification affects employee motivation, commitment, work satisfaction, and performance outcomes depending on diversity characteristics.

In research with a sample of workers, Teresi et al. (2019) noted a negative and positive correlation between organisational identity and the sense of an ethical organisational climate of self-interest. Consequently, it seemed that this encouraged unproductive work practices and hindered workers' organisational citizenship behaviours. Fascinatingly and consistent with the justification above, a contrary trend was seen for the impression of a kind and moral workplace environment, which positively correlated with organisational identification. Subsequently, an elevated degree of identification promoted corporate citizenship practices and decreased unproductive work habits among staff members.

2.4 Research Framework

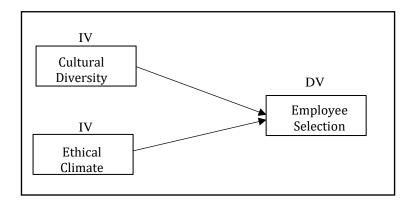


Figure 1. Research Framework

Based on Figure 1, two independent variables (IV) are considered: CD and EC. Only one dependent variable (DV), employee selection, is tested. CD refers to the variation in cultural backgrounds among employees, while the EC encompasses the organisation's values, norms, and ethical practices. The theory employed to link these two factors with the employee selection process is Social Identity Theory. Social Identity Theory attempts to characterise and infer the circumstances in which people see themselves as members of a group or as individuals. The theory also examines how social and personal characteristics influence individuals' behaviour and thinking within groups. Since attitudes and behaviour toward other individuals, groups, institutions, and society are influenced by social identity, Social Identity Theory helps explain the psychological mechanisms that enable groups to establish and remain together. Many of the

variations in our everyday experiences, attitudes, and values are shaped by our social identities. Despite the increasing computerisation of the world, social identities remain crucial in daily life. The use of these tools may have an impact on how employees collaborate and are evaluated for their jobs. Therefore, this study investigates how CD and the EC affect employee selection.

3.0 METHODOLOGY

Quantitative methods are used, following the positivist philosophy closely. From there, approaches are deduced. The research design will be descriptive. All responses are measured statistically via Google Forms. SPSS software is used to analyse the data. For data collection, the adoption questionnaire from the previous study is used. The survey questionnaires were given to academic staff; a questionnaire was distributed to gather data for this study. Frequently, the questionnaire enables the review of the findings and permits respondents to consider extensively before completing the questionnaire. The questionnaire has clear instructions that respondents must follow. All statements and questions were written as closed-ended questions, with the choices confined to single fixed responses and answers on a given topic. The questionnaires were adopted from previous journals. The questionnaires are in Google Forms and are distributed via e-mail. The data for this research were collected using online methods.

Initially, surveys were distributed via Google Forms to the Human Resources departments of Universiti Malaysia Perlis (UniMAP), Universiti Utara Malaysia (UUM), Universiti Pendidikan Sultan Idris (UPSI), and Universiti Sains Malaysia (USM). These departments were requested to forward the surveys to the selected respondents. Additionally, physical data collection was conducted at UUM, where face-to-face interactions with respondents facilitated the completion of the surveys. This dual approach ensured efficient and effective reach to the targeted respondents. The data collection focuses on the academic staff of HEIs in Northern Malaysia, namely Perlis, Kedah, Perak, and Pulau Pinang. Data was gathered from Universiti Malaysia Perlis (UniMAP), Universiti Utara Malaysia (UUM), Universiti Pendidikan Sultan Idris (UPSI), and Universiti Sains Malaysia (USM). Table 1 shows 5163 academic staff in public universities in the Northern Region of Malaysia (MoHE, 2020).

Table 1 Population of Public Universities in the Northern Region

No.	Public Universities	Number of Staffs	
1.	Universiti Utara Malaysia	1179	
2.	Universiti Malaysia Perlis	1119	
3.	Universiti Pendidikan Sultan Idris	856	
4.	Universiti Sains Malaysia	2012	
Total		5163	

According to Rahman et al. (2022), research uses the statistical approach known as stratified sampling to divide a population into smaller groups, or strata, based on shared characteristics. Next, a random selection of individuals is made from each stratum. This technique improves the accuracy and generalisability of the results by guaranteeing that the sample is representative of various demographic groups. Sample size refers to the number of participants, observations, or data points included in a study or research project.

Table 2 shows 5163 employees overall, and sample sizes range from 357 to 358. All this data focuses on the public universities in the Northern Region of Malaysia. SPSS software is applied to process all data. The analysis was based on KMO and Bartlett's Test, Cronbach Alpha Coefficients, and Pearson Correlation.

Table 2 Sample of Population

No	Public Universities	Number of Staffs	Sample Size (Using Krejcie & Morgan Table)
1.	Universiti Utara Malaysia	1179	82
2.	Universiti Malaysia Perlis	1119	76
3.	Universiti Pendidikan Sultan Idris	856	59
4	Universiti Sains Malaysia	2012	140
	Total	5163	358

4. RESEARCH RESULTS

4.1 Kaiser-Meyer Olkin and Bartlett's Test

The acceptable Kaiser-Meyer Olkin (KMO) measure of sample adequacy was 0.962 (>0.70), and the significant results of Bartlett's test of sphericity (p<0.001) suggested that the correlations between the variables are considerably different from zero. Before doing a factor analysis, the KMO measure and Bartlett's test of sphericity establish basic conditions that must be satisfied.

Table 3 KMO and Bartlett's Test

KMO and Bartlett's Test					
Kaiser-Meyer-Olkin Measure of Sampling Adequacy		0.849			
Bartlett's Test of Sphericity	Approx. Chi-Square	121.928			
	Df	15			
	Sig.	< 0.001			

Based on Table 3, the analysis results indicate that the KMO value is 0.849, suggesting that the data used in this study is highly suitable for factor analysis. A KMO value approaching 1 indicates that the correlation patterns among variables are clear enough for factor analysis. Additionally, Bartlett's Test of Sphericity results show that the chi-square statistic is 121.928 with 15 degrees of freedom and a very significant p-value, less than 0.001. This indicates sufficient evidence to reject the null hypothesis that the correlation matrix is an identity matrix. Thus, Bartlett's test result supports the adequacy of the data for factor analysis. With the combination of these results, it can be concluded that the data used in this study is highly suitable and meets the requirements for further factor analysis.

4.2 Cronbach Alpha Coefficients

Based on Table 4, the study utilised a survey instrument comprising three key constructs: Employee selection, CD, and EC. Each construct was assessed through 10 items, and their internal consistency reliability was evaluated using Cronbach's alpha coefficients. The results revealed strong internal consistency across all constructs, with Cronbach's alpha coefficients of 0.888 for employee selection, 0.885 for CD, and 0.915 for EC.

Table 4 Cronbach Alpha Coefficients

Constructs	Number of Items	Cronbach Alpha Coefficients
Employee Selection (DV)	10	0.888
Cultural Diversity (IV)	10	0.885
Ethical Climate (IV)	10	0.915

These findings underscore the reliability and consistency of the measurement scales in effectively capturing the intended constructs. Overall, the study's survey instrument exhibits robust internal consistency reliability, thereby enhancing the validity of the assessments regarding employee selection, CD, and EC.

4.3 Pearson Correlations

As shown in Table 5, the Pearson Correlation analysis shows strong positive correlations among employee selection, CD, and EC in this study. Specifically, employee selection exhibited a significant correlation with both cultural diversity (r = 0.719, p < 0.001) and employee selection (r = 0.760, p < 0.001). Likewise, cultural diversity demonstrated a strong correlation with both employee selection (r = 0.719, p < 0.001) and EC (r = 0.772, p < 0.001). Similarly, employee selection EC displayed a robust correlation with both employee selection (r = 0.760, p < 0.001) and CD (r = 0.772, p < 0.001). These findings underscore the interconnectedness of employee selection, CD, and EC variables within our study population.

		1	2	3
1.Employee selection	Pearson Correlation	1	0.719**	0.760**
	Sig. (2-tailed)		< 0.001	< 0.001
	N	33	33	33
2.Cultural Diversity	Pearson Correlation	0.719**	1	0.772**
	Sig. (2-tailed)	<0.001		<0.001
	N	33	33	33
3.Ethical Climate	Pearson Correlation	0.760**	0.772**	1
	Sig. (2-tailed)	< 0.001	< 0.001	
	N	33	33	33

Table 5 Pearson Correlations

5. DISCUSSION

The KMO analysis and Bartlett's test of sphericity indicate promising data reliability for this study. With a KMO value of 0.849, well exceeding the accepted threshold of 0.70, the data is deemed highly suitable for factor analysis. Additionally, Bartlett's test yielded significant results (p< 0.001), indicating that the correlations among variables differ from zero. This finding provides robust evidence to support the data's reliability for further factor analysis, demonstrating clarity in the correlation patterns among variables. Furthermore, the assessment of internal consistency reliability using Cronbach's alpha coefficient shows strong consistency across all study constructs. The employee selection, CD, and EC coefficients are 0.888, 0.885, and 0.915, respectively, surpassing the desired threshold of 0.70. These results affirm the reliability and accuracy of the measurement scales in effectively capturing the intended constructs.

The Pearson correlation analysis also revealed compelling relationships among employee selection, CD, and EC. Strong positive correlations were observed between employee selection and both CD (r = 0.719, p < 0.001) and EC (r = 0.760, p < 0.001), as well as between CD and EC (r = 0.760, p < 0.001).

^{**}Correlation is significant at the 0.01 level (2-tailed).

0.772, p<0.001). These findings suggest interconnectedness between employee selection practices, CD, and the EC within organisations.

6. CONCLUSION

This study underscores the critical role of recruitment and selection processes in organisational success, emphasising the need for alignment with organisational strategies and values to attract competent employees. It highlights the positive impact of CD on financial performance, competitive advantage, and profitability, emphasising the importance of effectively managing diversity to foster an inclusive work environment. Additionally, the study emphasises the significance of an EC in promoting ethical behaviour among employees, enhancing job satisfaction, commitment, and overall organisational performance.

The interrelationship between employee selection, CD, and EC within HEIs underscores the importance of considering these factors in recruitment and selection strategies. The study also validates the effectiveness of the survey instrument used, affirming its reliability in capturing the intended constructs.

These findings have practical implications for organisational practice, suggesting the importance of integrating CD and EC considerations into recruitment and selection processes. They also provide avenues for further research in human resource management and organisational behaviour, particularly in exploring the impact of these factors on organisational outcomes in diverse settings.

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