INKING PERCEIVED ETHICAL CLIMATE TO PERFORMANCE OUTCOMES: THE MEDIATING ROLE OF JOB EMBEDDEDNESS

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ABSTRACT

A conceptual model examining job embeddedness as a mediator of the impact of perceived ethical climate on job performance and extra-role customer service is developed and tested. Data obtained from frontline hotel employee-supervisor dyads in Nigeria were used to assess these relationships via structural equation modeling. The results suggest that job embeddedness fully mediates the effect of perceived ethical climate on frontline employees' performance outcomes. Specifically, employees with favorable perceptions of the firm's ethical climate are embedded in their jobs. Such employees in turn display elevated levels of job performance and extra-role customer service behaviors. Implications of the results are discussed and their implications for future research are offered.

Reference to this paper should be made as follows: Karatepe. O.M 2013. Linking perceived ethical climate to performance outcomes: The mediating role of job embeddedness. *Ekonomska istraživanja – Economic Research* 26(4): 77-90

I. INTRODUCTION

In a market environment where there are increasingly sophisticated and discerning customers, retention of employees with high performance in frontline service jobs is among the key strategies for developing and sustaining core competencies as a source of competitive advantage. This is not surprising, because frontline employees are the face of a service firm, play a crucial role in service delivery, can return aggrieved customers to a state of satisfaction through service recovery, and influence customers' perceptions of brand image (Činjarević et al., 2010; Ivankovič et al., 2010; Karatepe and Sokmen, 2006; Rajh and Došen, 2009).

As an employee retention strategy, job embeddedness seems to be a potential panacea in this process. Job embeddedness refers to "the combined forces that keep a person from leaving his or her job" (Yao et al., 2004, 159). Links, fit, and sacrifice are the three critical dimensions of job embeddedness. Links are defined as "formal or informal connections between a person and institutions or other people", while fit refers to "an employee's perceived compatibility or comfort with an organization and with his or her environment" (Mitchell et al., 2001, 1105). Finally, sacrifice refers to "the perceived cost of material or psychological benefits that may be forfeited by leaving a job" (Mitchell et al., 2001, 1105). These aspects are related to on-the-job embeddedness and off-the-job embeddedness. Employees are embedded in their jobs, because they find that they fit well in their jobs and have formal or informal connections with their colleagues in the workplace and individuals in the community (Lee et al., 2004). They also stay in the organization, since they do not want to sacrifice valued things in the workplace and the community (Lee et al., 2004). It appears that managers can retain frontline employees with high performance in a work environment where ethical values and behaviors are fostered, supported, and shared (cf. Schwepker and Hartline, 2005).

A. Purpose

Against this backdrop, this study develops and tests a conceptual model that investigates the mediating role of job embeddedness in the relationship between perceived ethical climate and performance outcomes. The performance outcomes examined in this study are job performance and extra-role customer service. Job performance refers to "the level of productivity of an individual employee, relative to his or her peers, on several job-related behaviors and outcomes" (Babin and Boles, 1998, 82), and extra-role customer service refers to "discretionary behaviors of contact employees in serving customers that extend beyond formal role requirements" (Bettencourt and Brown, 1997, 41). The aforementioned relationships are assessed using data gathered from frontline hotel employees and their immediate supervisors in Abuja, the capital city of Nigeria.

This study contributes to the existing knowledge base in the following way. Specifically, Schwepker and Hartline state (2005, 382), "Employees desire consistency between their ethical value system and the ethical values held by the firm." Employees with favorable perceptions of the firm's ethical climate find that their ethical values fit well with the ethical values of the firm. Under these circumstances, an ethical climate can create favorable conditions in the workplace and can act as one of the forces keeping employees from leaving their jobs. Such conditions can also lead to better performance outcomes among the firm's frontline employees. Despite this realization, empirical research regarding the relationship between perceived ethical climate and job embeddedness is scarce. This is also valid for empirical research pertaining to the effect of job embeddedness on performance outcomes (Halbesleben and Wheeler, 2008; Sun et al., 2011). More importantly, very little is known about job embeddedness as a mediator of the effect of perceived ethical climate on performance outcomes. In addition to this contribution, this study will delin-

eate useful management implications concerning retention of employees in frontline service jobs.

II. CONCEPTUAL MODEL AND HYPOTHESES

A. Conceptual Model

Figure 1 presents the conceptual model and relationships among study variables. The model posits that favorable perceptions of the firm's ethical climate enhance employees' job embeddedness. The model contends that employees who are embedded in their jobs display better job performance and extra-role customer service behaviors. These relationships explicitly suggest that job embeddedness acts as a full mediator of the effect of perceived ethical climate on job performance and extra-role customer service.
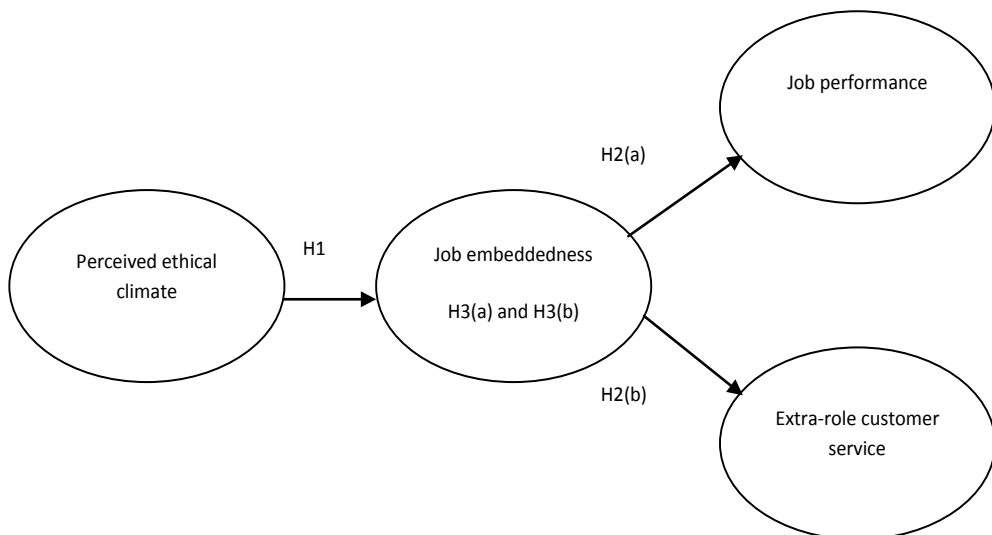

FIGURE 1. CONCEPTUAL MODEL

Source: Author

B. Hypotheses

In this study, a firm's ethical climate is defined as "a composite of organizational perceptions of the ethical values and behaviors supported and practiced by organizational members" (Schwepker and Hartline, 2005, 380). Ethical climate is one of the critical factors determining intra-organizational relationships and influencing employee attitudes (Elci and Alpkan, 2009). Not surprisingly, the presence of an ethical climate is closely related to organizational policies, procedures, and practices leading to moral consequences (Mulki et al., 2008). Such an ethical climate in the organization reduces hindrance demands (e.g., role conflict), enhances efforts, creates trust in supervisor, and triggers job satisfaction (Jaramillo et al., 2006; Mulki et al., 2008; Schwepker and Hartline, 2005).

When employees perceive that the organization is ethical, they are more likely to stay in the organization. Employees perceiving that organizational policies, procedures, and practices are determined within an ethical context remain in the organization. This is consistent with job

embeddedness theory. Specifically, employees ascertain that their personal values and future career goals and plans fit well with the organization's ethical climate. They also see that they have a number of links with coworkers and supervisors in such an ethical work environment and observe that there is fairness in the distribution of job and organizational rewards. In short, employees with favorable perceptions of the firm's ethical climate are embedded in their jobs. Therefore, the following hypothesis is proposed:

H1:   Favorable perceptions of the firm's ethical climate are positively related to frontline employees' job embeddedness.

As job embeddedness theory posits, employees with high job embeddedness are tied to job-related tasks and have connections with people in the organization and the community (Lee et al., 2004). Employees who are embedded in their jobs know that their knowledge, skills, and abilities match with the job requirements (Holtom et al., 2006). In addition, such employees do not leave the organization, because they are aware of a potential loss of valued things as a result of quitting the organization (Lee et al., 2004). Under these circumstances, their motivation to display high quality performance in the workplace should increase.

Although limited, there is evidence that job embeddedness positively influences performance outcomes. For example, in a study of five separate organizational units, Lee et al. (2004) reported that on-the-job embeddedness triggered job performance and organizational citizenship behavior. The results of Halbesleben and Wheeler's (2008) study showed that job embeddedness positively influenced employees' self-rated performance and performance as evaluated by their coworkers. Sun et al. (2011) also demonstrated that job embeddedness enhanced job performance among nurses in China. Accordingly, the following hypotheses are proposed:

H2:   Job embeddedness is positively related to frontline employees' (a) job performance and (b) extra-role customer service.

There appears to be empirical evidence regarding the mediating role of job embeddedness in the relevant literature. For example, in a study of employees in a state department of corrections, Bergiel et al. (2009) found that job embeddedness fully mediated the effects of perceived compensation and growth opportunities on intention to quit. They further reported that job embeddedness had a partial mediating role in the relationship between perceived supervisor support and intention to quit. Sun et al. (2011) demonstrated that psychological capital influenced job performance directly and indirectly through job embeddedness.

According to job embeddedness theory, there are a number of influences on an employee's decision to stay on the job (Holtom et al., 2006). One of these influences is the availability of a climate where code of ethics and ethical behaviors are stressed (cf. Kusluvan et al., 2010; Schwepker and Hartline, 2005). Employees working in such an ethical climate stay on the job and display positive performance outcomes (e.g., dealing with customers' requests and complaints effectively and going beyond their formal role requirements to satisfy customers). Therefore, the following hypotheses are proposed:

H3:   Job embeddedness fully mediates the effect of perceived ethical climate on frontline employees' (a) job performance and (b) extra-role customer service.

III. METHOD

A. Sample and Procedure

Data were collected from a sample of frontline employees (front desk agents, reservations agents, wait staff, concierges, room attendants, bell attendants, and guest relations representatives) and their immediate supervisors in the four- and five-star hotels in Abuja, Nigeria. Based on the information received from the Director for Planning, Consultancy and Information Services in the National Institute for Hospitality and Tourism at the time of this study, there were 3 five-star and 7 four-star hotels in Abuja. These hotels were licensed by the Nigerian Tourism Development Corporation. Management of these hotels was contacted using a letter that included information about the purpose of the study and permission for data collection. Management of all five-star hotels and 1 four-star hotel agreed to participate in this empirical study.

Since management of the hotels did not permit the researcher to directly contact frontline employees, all questionnaires were submitted to the relevant supervisors of the hotels. Employees were given assurance of confidentiality. The employee questionnaire consisted of the perceived ethical climate and job embeddedness measures and items about respondents' profile such as age, gender, education, organizational tenure, and marital status. The supervisor questionnaire included the job performance and extra-role customer service measures. Each supervisor rated frontline employees' job performance and extra-role customer service behaviors under his supervision. Consistent with the suggestions made by Podsakoff et al. (2003), this study collected data from multiple sources to minimize the potential risk of common method bias. Of the 200 questionnaires distributed, 143 were returned, yielding a response rate of 71.5%. The researcher was also capable of receiving 143 questionnaires from the supervisors, which were matched with the employee questionnaires.

22% of the respondents were aged between 38 and 47 years. However, the overwhelming majority of the respondents (71%) were younger than 38. The rest of the respondents were older than 47. The majority of the respondents (54%) were male. 16% of the respondents had secondary and high school education. The rest had college education or beyond. 58% of the respondents were single or divorced, while the rest were married. 52% of the respondents had been with their hotels for five years or less. The rest had been with their hotel for more than five years.

B. Measurement

All perceptual variables (i.e., perceived ethical climate, job embeddedness, extra-role customer service) in this study were measured using full scale items from prior empirical studies in the current literature. Specifically, perceived ethical climate was measured using seven items from Schwepker and Hartline (2005). Job embeddedness was operationalized via seven items from Crossley et al. (2007). Extra-role customer service was measured with five items from Bettencourt and Brown (1997). There were seven items in the work of Babin and Boles (1998) to evaluate food servers' job performance. Two items in this scale were not suitable for assessing frontline hotel employees' job performance. In addition, item such as 'I know more about menu items' was changed to 'This employee knows more about services delivered to customers than others' or item such as 'I know what my customers expect' was changed to 'This employee knows what his/her customers expect better than others.' As a result, five items adapted from Babin and Boles (1998) were used to measure job performance. The same items adapted for measuring job performance were also used in past writings (e.g., Yavas et al., 2008).

Responses to items in perceived ethical climate, job embeddedness, job performance, and

extra-role customer service were recorded on five-point scales ranging from 5 (*strongly agree*) to 1 (*strongly disagree*). After reverse coding negatively worded items, higher scores indicated higher levels of each variable (e.g., perceived ethical climate, job embeddedness).

All items in the employee and supervisor questionnaires were subjected to pilot studies. Specifically, the employee questionnaire was tested with a pilot sample of five employees. The supervisor questionnaire was also tested with a pilot sample of five supervisors. No changes were deemed necessary, because frontline employees and their immediate supervisors did not have any difficulty understanding items in the questionnaires.

C. Data Analysis

The measures used in this study were obtained/adapted from prior empirical studies. However, some of the measures (e.g., job embeddedness, job performance) did not appear to perform well in the Nigerian context as well as the other similar sub-Saharan African countries such as Cameroon. As a result, they did not seem to show strong psychometric properties in terms of convergent and discriminant validity (Karatepe, 2012; Karatepe and Aleshinloye, 2009). With this realization, consistent with the works of Babakus et al. (2011), Karatepe (2012), and Kong et al. (2012), all measures were subjected to exploratory factor analysis (EFA) (principal components) with varimax rotation simultaneously to present initial evidence for convergent and discriminant validity.

Then, the current study used confirmatory factor analysis (CFA) and tested the relationships using LISREL 8.30 through structural equation modeling (SEM) (Joreskog and Sorbom, 1996). Broadly speaking, this study used Anderson and Gerbing's (1988) two-step approach. The first step consisted of the overall measurement quality of scale items (convergent and discriminant validity). The second step included a comparison of two models based on the χ^2 difference test. This is also consistent with the work of Chen et al. (2005) and the guidelines provided by James et al. (2006). The overall χ^2 measure, GFI [Goodness of Fit Index], CFI [Comparative Fit Index], IFI [Incremental Fit Index], RMSEA [Root Mean Square Error of Approximation], and SRMR [Standardized Root Mean Square Residual] were used to assess model fit. The internal consistency reliability was assessed using the commonly accepted cut-off value of 0.70.

IV. RESULTS

A. Measurement Results

Several items had low factor loadings (< 0.40), heavily cross-loaded, or were not clearly identified with any of the purported factors. Therefore, three items from the perceived ethical climate measure (Top management does not support ethical behavior at work; I know this hotel is more interested in making money than in meeting customers' needs; and I have seen people I work with do dishonest things at work) were removed. One item from the job embeddedness measure (It would be easy for me to leave this hotel) was discarded. Two items from the extra-role customer service behavior (This employee voluntarily assists customers even if it means going beyond job requirements and This employee helps customers with problems beyond what is expected or required) were dropped. The final results produced a four-factor solution with eigenvalues greater than 1.0, accounting for 62.2% of the variance. The magnitudes of the factor loadings ranged from 0.48 to 0.82. Finally, all items loaded heavily on their underlying factors.

All items retained during EFA were subjected to CFA for a more rigorous psychometric evaluation. The results of CFA demonstrated a good fit of the four-factor model to the data (χ^2 = 211.84, *df* = 129; χ^2 / df = 1.64; GFI = 0.86; CFI = 0.92; IFI = 0.92; RMSEA = 0.067; SRMR = 0.074).

As demonstrated in Table 1, the magnitudes of the standardized loadings ranged from 0.48 to 0.85 and their t-values were significant (> 2.00). The majority of the loadings were greater than 0.70. Such results clearly reveal that there is evidence for convergent validity (Anderson and Gerbing, 1988).

Discriminant validity was assessed using χ^2 difference tests ($p < 0.01$). First, a two-factor model for each pair of constructs was created. Then, items representing each construct were forced into a single-factor solution. The χ^2 difference test produced a significant result for each pair of measures. These results also show that there is evidence for discriminant validity (Anderson and Gerbing, 1988).

Scale reliabilities, means, standard deviations, and correlations of study variables are presented in Table 2. A careful assessment of the findings in Table 2 suggests that all correlations are significant ($p < 0.01$). Internal consistency reliabilities are greater than 0.70, excluding extra-role customer service whose value is 0.67.

TABLE 1. SCALE ITEMS AND CFA RESULTS (N = 143)

Table 1. Scale items and CFA results (n = 143)

Scale items	Standardized loading	t-value
Perceived ethical climate (reverse-scored items)		
There is not much support among my coworkers for honesty at work	0.62	6.92
I know of a customer who was cheated	0.72	8.19
Some of my coworkers do not support the idea that customers should be treated fairly	0.48	5.27
Our field is so competitive that we have to do some unethical things at work just to stay in business	0.65	7.35
Job embeddedness		
I feel attached to this hotel	0.73	9.59
It would be difficult for me to leave this hotel	0.77	10.34
I am too caught up in this hotel to leave	0.80	10.94
I feel tied to this hotel	0.70	9.03
I simply could not leave the hotel that I work for	0.65	8.24
I am tightly connected to this organization	0.71	9.24
Job performance		
This employee is a top performer	0.77	10.42
This employee is in the top 10 percent of frontline employees here	0.85	11.89
This employee gets along better with customers than do others	0.77	10.30
This employee knows more about services delivered to customers than others	0.73	9.55
This employee knows what his/her customers expect better than others	0.59	7.38
Extra-role customer service		
This employee often goes above and beyond the call of duty when serving customers	0.62	6.94
This employee willingly goes out of his/her way to make a customer satisfied	0.52	5.71
This employee frequently goes out the way to help a customer	0.76	8.45

Source: Research results

TABLE 2. SCALE RELIABILITIES, MEANS, STANDARD DEVIATIONS, AND CORRELATIONS OF STUDY VARIABLES

Variables	Mean	SD	Alpha	1	2	3	4
1. Perceived ethical climate	3.08	0.76	0.71	-			
2. Job embeddedness	3.15	0.76	0.87	0.324	-		
3. Job performance		3.56	0.73	0.86	0.262	0.246	-
4. Extra-role customer service		4.02	0.55	0.67	0.230	0.235	-

Source: Research results
Notes: Composite scores for each measure were obtained by averaging scores across items representing that measure. All correlations are significant (p < 0.01). SD = Standard deviation.

B. Test of Structural Model

The partially mediated model (χ^2 = 211.84, *df* = 129) was compared to the hypothesized or fully mediated model (χ^2 = 215.51, *df* = 131). The result suggested a non-significant difference in fit ($\Delta\chi^2$ = 3.67, Δdf = 2, non-significant). The fully mediated model appeared to have a better fit to the data. The results for the fully mediated model are shown in Figure 2. As depicted in Figure 2, the fit statistics for the hypothesized model are as follows: (χ^2 = 215.51, *df* = 131; χ^2 / *df* = 1.65; GFI = 0.86; CFI = 0.91; IFI = 0.92; RMSEA = 0.067; SRMR = 0.084).

The results of SEM in Figure 2 demonstrate that perceived ethical climate has a significant positive effect on job embeddedness (γ_{11} = 0.38, *t* = 3.60). Therefore, hypothesis 1 is supported. According to the results of SEM, job embeddedness is significantly and positively related to job performance (β_{21} = 0.29, *t* = 2.99) and extra-role customer service (β_{31} = 0.32, *t* = 2.81). Hence, there is empirical support for hypotheses 2(a) and 2(b). The indirect effect of perceived ethical climate on job performance (standardized indirect effect = 0.11, *t* = 2.40) and extra-role customer service (standardized indirect effect = 0.12, *t* = 2.30) through job embeddedness is significant (based on Sobel test) and positive. Such results suggest that job embeddedness fully mediates the effect of perceived ethical climate on job performance and extra-role customer service. Therefore, hypotheses 3(a) and 3(b) are supported. Additionally, the results account for 14% of the variance in job embeddedness, 9% in job performance, and 10% in extra-role customer service.

V. DISCUSSION

A. Evaluation of Findings

This study developed and tested a conceptual model that examined job embeddedness as a mediator of the impact of perceived ethical climate on frontline employees' job performance and extra-role customer service. The present study contributes to the existing knowledge base by reporting that job embeddedness functions as a full mediator of the effect of perceived ethical climate on the abovementioned performance outcomes.
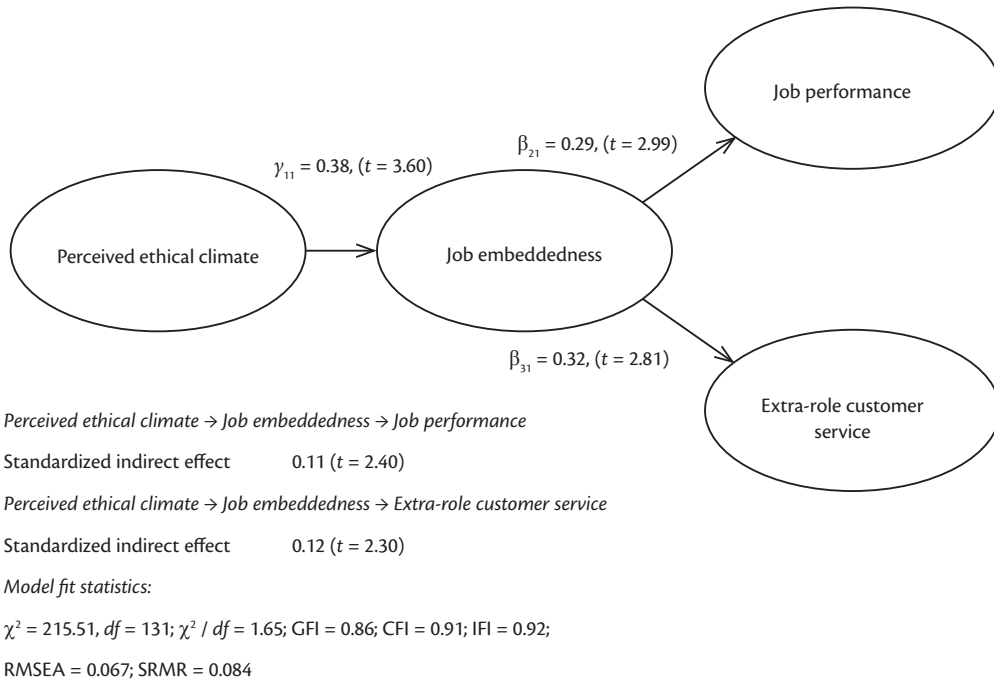
Perceived ethical climate → Job embeddedness → Job performance

Standardized indirect effect   0.11 ($t = 2.40$)

Perceived ethical climate → Job embeddedness → Extra-role customer service

Standardized indirect effect   0.12 ($t = 2.30$)

Model fit statistics:

$\chi^2 = 215.51$, $df = 131$; $\chi^2 / df = 1.65$; GFI = 0.86; CFI = 0.91; IFI = 0.92;

RMSEA = 0.067; SRMR = 0.084

FIGURE 2. STRUCTURAL MODEL RESULTS

Source: Research results

This study also extends the research stream on perceived ethical climate and job embeddedness to the developing non-Western countries. Specifically, what is already known about job embeddedness emerges from studies in the developed Western countries such the USA (Karatepe, 2012). Empirical research on ethical climate also relies on samples derived from the developed Western countries (Kim and Miller, 2008; Okpara and Wynn, 2008). Therefore, extension of the research stream to under-represented geographical locations such as Nigeria, a developing sub-Saharan African country, is necessary for gaining richer insights. Additionally, investigating such critical issues in Nigeria is important, because Nigeria has been reported to be one of the most corrupt countries in the world (Okpara and Wynn, 2008) and is devoid of contemporary human resource management practices (cf. Adeyemi et al., 2006; Karatepe and Magaji, 2008).

The results suggest that employees perceiving that ethical behaviors are fostered, supported, and shared in the organization are embedded in their jobs. This result suggests that the presence of an ethical work climate is one of the influences on employees to display high levels of job embeddedness. The result regarding the effect of job embeddedness on job performance and extra-role customer service receives support from past and recent empirical studies (Lee et al., 2004; Sun et al., 2011). Specifically, employees are motivated to have high quality job performance and go beyond their formal role requirements for satisfying customers, since they find that they are tied to job-related tasks and are part of the community they live in and want to use benefits and opportunities in the organization and the community. The results also suggest that perceived ethical climate enhances job performance and extra-role customer service indirectly through job

embeddedness. That is, frontline employees with favorable perceptions of the firm's ethical climate are embedded in their jobs. Such employees in turn perform effectively in the workplace and go the extra-mile in serving customers. The abovementioned results are consistent with job embeddedness theory.

B. Implications for Business Practice

The results of this study have three important implications for managers for business practice. First, a strong ethical climate occurs when management of the hotels is committed to ethical values and behaviors and walks-the-walk (cf. Mulki et al., 2008). This can be done by including the critical role of such values and behaviors in the mission statements. Then, it would be possible to encourage employees to practice the ethical principles for developing long-term relationships with customers.

Second, training, empowerment, and rewards are among the high-performance work practices (Boselie et al., 2005). Training employees in behavioral skills and empowerment practices would improve their capability to cope with a number of customer requests and problems. Financial and non-financial rewards should be given to those who deliver quality services and go the extra-mile in resolving customer complaints. Such practices would send powerful signals to employees regarding career and promotional opportunities in the organization.

Third, hiring individuals whose personal and ethical values fit well with the ethical climate in the organization would result in retention of such individuals. Using case studies and experiential exercises in this process could be beneficial. These implications are also critical in the Nigerian business environment where contemporary human resource management practices are not widespread (cf. Karatepe and Magaji, 2008), and corruption is a major problem (Okpara and Wynn, 2008).

C. Limitations and Avenues for Future Research

Several limitations of this study along with its avenues for future research should be noted. First, this study measured ethical climate through individual frontline employees' perceptions as a unit of analysis. Such an assessment is congruent with the works of Mulki et al. (2008), Schwepker (2001), and Schwepker and Hartline (2005). In future studies measuring ethical climate at the organizational and group level would be useful (cf. Luria and Yagil, 2008). Second, employees in frontline service jobs engage in both work and family roles. In future research examining the effects of work-family facilitation and family-work facilitation on job embeddedness would shed further light on the understanding of a set of influences on employees to stay on the job. As a closing note, examining the relationships in this study using cross-national samples in different service settings (e.g., banks, airlines) would broaden the database concerning the mediating role of job embeddedness.

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POVEZIVANJE PERCIPIRANE ETIČKE KLIME S REZULTATIMA PERFORMANSI: POSREDNIČKA ULOGA UKORIJENJENOSTI RADNOG MJESTA

SAŽETAK

Razvijen je i testiran konceptualni model koji ispituje ukorijenjenost radnog mjesta kao posrednika utjecaja percipirane etičke klime na performansu posla i pružanje usluga klijentima koje nadilaze dužnost. Podaci dobiveni u analizi dijade hotelski zaposlenik na prvoj liniji-nadglednik u Nigeriji, korišteni su kako bi se taj odnos ocijenio putem modeliranja strukturalnim jednadžbama. Rezultati pokazuju da ukorijenjenost radnog mjesta u potpunosti prenosi učinak percipirane etičke klime na rezultate rada zaposlenika na prvoj liniji. Točnije, zaposlenici s pozitivnom percepcijom etičke klime u tvrtki su ukorijenjeni na radnim mjestima. Takvi zaposlenici prikazuju visoki nivo poslovne performanse i spremni su pružiti uslugu klijentima koja nadilazi njihovu dužnost. Rad raspravlja o implikacijama ovih rezultata te nudi implikacije za buduća istraživanja.

Ključne riječi: etička klima, usluge klijentima koje nadilaze dužnost, hotelski zaposlenici, ukorijenjenost radnog mjesta, performansa posla, Nigerija