

ETHICAL CLIMATE AND EMPLOYEE COMMITMENT

**The relationship between perceived organisational ethical climate and employee commitment  
in the Australian hospitality industry**

by

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## ETHICAL CLIMATE AND EMPLOYEE COMMITMENT

### DECLARATION

I, Jennifer Davies, student number 34690719, hereby declare that this dissertation entitled "**The relationship between perceived organisational ethical climate and employee commitment in the Australian hospitality industry**" is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references.

I further declare that the relevant ethical clearances required to conduct this research has been obtained from the Department of Industrial and Organisational Psychology at the University of South Africa, as well as from the participating organisation.

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Jennifer Davies

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Date

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Last but not least, my grandmother who sadly passed away during this journey. I know you are watching over me and are extremely proud. You were my inspiration when the days seemed so dark.

**SUMMARY**

**THE RELATIONSHIP BETWEEN PERCEIVED ORGANISATIONAL ETHICAL  
CLIMATE AND EMPLOYEE COMMITMENT IN THE AUSTRALIAN HOSPITALITY  
INDUSTRY**

**by**

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**DEGREE:** MCom - Industrial and Organisational Psychology

The purpose of this study was to determine the relationship between perceived organisational ethical climate and employee commitment within an Australian hospitality organisation, with the objective of determining whether employees' perceptions of the organisational ethical climate influenced their commitment towards their organisation, as well as the associated implications. The Ethical Climate Questionnaire and the Employee Commitment Survey were utilised as measuring instruments.

The overall finding revealed a statistically significant relationship between the two variables with the results indicating that organisations possess numerous ethical climates which are perceived by employees in a manner which in turn affects their commitment towards their organisation. It is concluded that employees who are more committed to their organisations have improved attendance records and show lower absenteeism and turnover rates. The findings of this study confirmed existing research and generated new knowledge applicable to the hospitality sector.

**KEY TERMS**

Ethical climate; Employee commitment; Australia; Relationships; Perceptions; Quantitative study; Social exchange; Ethical interventions

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## CHAPTER 1

### SCIENTIFIC ORIENTATION OF THE RESEARCH

This study focuses on the relationship between perceived organisational ethical climate and employee commitment and was researched at a medium-sized hospitality organisation in Australia. Chapter 1 presents the problem statement and the corresponding research aims, which include a literature review, the research design, the research participants, the measuring instruments and statistical analyses. The chapter concludes with an overview of the remaining chapters.

#### 1.1 BACKGROUND AND MOTIVATION

The relationship between perceived organisational ethical climate and employees' commitment towards their organisation has been and continues to be of interest to researchers (Cullen, Parboteeah & Victor, 2003; Martin & Cullen, 2006; Sims & Keon, 1997). Such research has confirmed that there is a relationship between an organisation's perceived ethical climate and the commitment shown by its employees (Cullen *et al.*, 2003; Kim & Miller, 2008; Mulki, Jaramillo & Locander, 2008). Previous research has studied individual and multiple organisations in determining this relationship, utilising a quantitative approach with results confirming that perceptions of egoistic climates are negatively related to commitment, and benevolent and principled climates have a positive relationship towards employee commitment (Cullen *et al.*, 2003; Kim & Miller, 2008; Mulki *et al.*, 2008).

Koh and Boo (2004) point out that many corporate failures and scandals have highlighted the urgent need for corporate governance and organisational ethics to be incorporated into organisations and these should be continuously managed. As such, the increased pressure from all stakeholders, including employees, can no longer be ignored. Such behaviours have caused increased interest in unethical behaviours conducted by employees of organisations because of the risks, such as high employee turnover and absenteeism, associated with such actions (Appelbaum *et al.*, 2005; Erben & Güneşer, 2008). Lloyd and Mey (2010) note that since the 1990s there have been daily reports of unethical actions and mismanagement by employees of organisations. Their study indicates ongoing and unethical trends within organisations.

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Within hospitality industries across the globe, organisations face a myriad of human resource challenges ranging from recruiting qualified employees, paying low or minimum wages and controlling high turnover (Dittman, 1999; Walsh & Taylor, 2007). Kim, Tavitiyaman & Kim (2009) further note the importance of employee behaviours affecting client satisfaction and ultimately continued business, which has a significant impact on an organisation's success.

Dittman (1999) notes that shortages of skilled staff are prevalent within hospitality organisations. In later research it is noted that organisations competing in international markets face the harsh reality of climate instability and shortages of skilled employees which ultimately has a negative impact on organisations' abilities to compete (Van Schalkwyk, Du Toit, Bothma & Rothmann, 2011). The issue of employee commitment in respect to turnover is perceived as relevant, especially within the hospitality industry, where employees prefer to work in surroundings which are ethically sound, however, not always present (Stewart, Volpone, Avery & McKay, 2011). In Australia the hospitality industry employs a vast number of employees and predictions indicate that this sector is expected to grow in coming years (Hurley & Crowe, 2013).

Previous research has shown that a large percentage of an organisation's annual, before-tax income is spent on exit interviews, administrative expenses relating to turnover, selection and recruitment and training of new employees (Holtom, Mitchell, Lee & Inderrieden, 2005; Sagie, Birati & Tziner, 2002). As employee turnover is known to have a detrimental effect on important organisational outcomes, such as increased financial costs (Stewart *et al.*, 2011), Holtom and O'Neill (2004) believe that acquiring committed employees can assist in reducing turnover within organisations thereby reducing costs. Wagner (2007), believing there is a positive relationship between perceived organisational ethical climate and employee commitment, notes that commitment is an excellent predictor of turnover in organisations. With employees' perceptions of the ethical climate in their organisations having a profound effect on their behaviours, which in turn affects their job satisfaction, performance and commitment (McKay, Avery & Morris, 2008), it is necessary to conduct sufficient research in order to analyse such circumstances to provide recommendations for overall improvement and organisational success.

As turnover is noted to be an increasing and relevant concern, it is important that we further investigate variables affecting employee commitment from an industrial and organisational psychology (IOP) perspective. From research it is possible to create an awareness of organisational issues which can be addressed and improved.

## ETHICAL CLIMATE AND EMPLOYEE COMMITMENT

As a result of the limited scope of this dissertation, the present study investigated only one organisation. A quantitative research approach, that made use of the Ethical Climate Questionnaire (ECQ) and the Three-Component Model (TCM) of employee commitment questionnaire, was followed. The study investigated these relationships within a hospitality sector organisation in Australia where individuals are employed at various levels within the organisation. The organisation has grown rapidly in size with increased revenue in the last few years, resulting in many changes, both positive and negative, over a short period of time. Negative changes include a sharp increase in turnover and absenteeism. These changes provided the motivation for an investigation into the perceptions of organisational ethical climate and whether there is a relationship with employee commitment within this organisation. This study thus contributes to the field of perceived organisational ethics and employee commitment.

Schwepker (2001) found a positive relationship between employees' perceptions of organisational ethical climates and employees' commitment. Contradictory to these findings, Koh and Boo (2004) note that while perceived organisational ethics and its associated ethical climate has the purpose of guiding and influencing employees' behaviours, there is no obvious research on the type of relationship that exists between perceived organisational ethical climate and employee commitment. Their findings are supported by Svensson and Wood (2011). This research study will attempt to address the discrepancies between the findings of researchers.

Jones and James (1979) note that organisational ethical climate refers to underlying dimensions of subjective perceptions of employees in organisations which occurs in the present. In other words, the same employees in an organisation may perceive the organisation differently (Marquis & Huston, 2003).

Allen and Meyer (1996) define employees' commitment towards their organisations as the psychological link between the employee and the organisation which makes it less likely for an employee to want to voluntarily leave. Commitment implies an intention to persist, thus organisations attempt to foster commitment in their employees in order to achieve stability and reduce levels of turnover (Meyer & Allen, 2004). According to some researchers, perceived organisational ethical climate plays a major role in the relationship of employees' commitment towards their organisation (Martin & Cullen, 2006; Valentine, Godkin & Lucero, 2002). Empirical

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studies have shown that employee commitment is related to the perceptions of the ethical climate of their organisation (Kim & Miller, 2008).

Employee commitment from an organisational perspective has been a common and well-researched topic for over 35 years (Cullinan, Blin, Farrar & Lowe, 2008). Such studies investigated certain factors at both the individual and organisational levels which influenced employee commitment. However, for purposes of this research study, factors at the individual level will be investigated as the focus relies on perceptions of individual employees obtained from self-report instruments, within the organisation.

Meyer and Allen (1991) proposed three types of employee commitment. These include: affective commitment, where employees are committed to the organisation through attachment, identification and involvement; continuance commitment, where employees are committed because of the potential cost of leaving the organisation; and normative commitment, where employees remain committed as a result of feelings of obligation towards the organisation. Cullen *et al.* (2003) note that ethical climate remains one of the most popular and changing concepts of an organisations' ethical context and that the commitment shown by employees based on this ethical climate is of importance.

Research conducted by Elci and Alpan (2009) focused on a single sector, namely telecommunications, with their research performed at a specific period in time. Although their dependant variable was job satisfaction, future research should extend to other sectors. They further recommended employee commitment as the dependant variable, while controlling and reporting on biographical and social influences on the relationship between perceived organisational ethical climate and employee commitment. Despite research results being generalisable, it is clear that industry-specific research is required (Karatepe, 2012; Kim *et al.*, 2009). This study will further explore the above recommendations.

From the preceding it is noted that employee commitment plays a role in contributing towards different employee behaviours (Arjoon, 2005; Landry, Panaccio & Vandenberghe, 2010; Tsai & Huang, 2008). Employees believe that through their efforts at work, they assist the organisation in achieving its overall goals and employees expect organisations to reciprocate such efforts (Lesabe & Nkosi, 2007).

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In the light of available research and the potential relationship between perceived organisational ethical climate and employee commitment, the main objective of the current study was to examine the relationship between these two variables for the purpose of building on and confirming existing research within the hospitality industry and extending such research to another country. In this case, Australia. The findings of this study can contribute towards furthering the understanding of perceived organisational ethical climate and employee commitment for the purposes of improving organisational success, through recommendations which will be made.

### 1.2 PROBLEM STATEMENT

Barkhuizen and Rothmann (2008) and Mostert, Cronje and Pienaar (2006) believe that the constructs of perceived organisational ethical climate and employee commitment are well researched. However, their research seems to be industry-specific, namely higher education institutions and policing, which may account for the variations in suggestions, as existing research may have been conducted across a variety of industries, thus creating the impression that there may be a lack of research within a specific industry. Kim and Miller (2008) note that current research exploring organisational ethical climates tends to focus on specific industries, despite results being generalisable.

Contradictory to the above, Cullen *et al.* (2003) suggest that although there is significant research on the positive effects of employee commitment, there is insufficient research to indicate what type of relationship exists between perceived organisational ethical climate and employee commitment and that additional research is necessary to determine this relationship. De Braine and Roodt (2011) recommend that employee commitment be researched both empirically and conceptually, as various factors such as working relationships, personal morality, employee and organisational cultures, organisational policies and procedures, as well as organisational efficiency may contribute to the level of commitment at the individual employee level. Stewart *et al.* (2011) recommend further research on ethical climates of organisations to assist in predicting various outcomes related to employees.

Elci and Alpan (2009) point out that an organisation's ethical climate is one of the most important factors influencing employee relationships and attitudes towards the organisation and that there is a need to understand organisational ethical climates and the outcomes it can have on employees. They note that these relationships in turn affect the success of the organisation. Ethical climates are seen



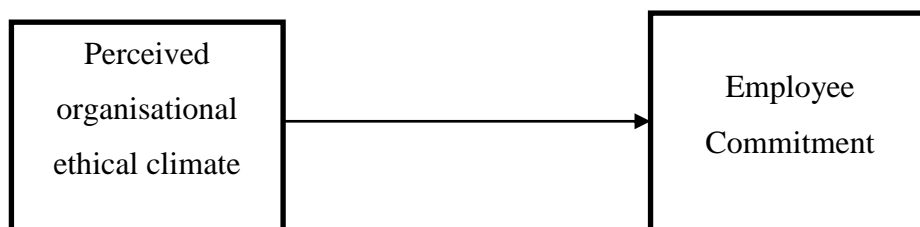
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as characteristics of organisations which affect decision-making at various levels and that these characteristics attract certain employee perceptions of the ethical climate which can influence the culture of the organisation and the manner in which ethical dilemmas are dealt with (Duh, Belak & Milfelner, 2010). Thus the ethical climate of an organisation plays a vital role when employees make certain decisions, including those of remaining committed to their organisation (Young & Corsun, 2010).

When the ethical climate of an organisation is considered, it is ordinarily seen as a macro level concept however, the perception of an organisation's ethical climate is related to individual ethical decision-making on the micro level (Wyld & Jones, 1997). The word "perception" changes the level at which the research takes place. Perceptions are simply defined by Reber (1985) as the awareness of something which impinges upon us. Perceptions are seen as a process whereby individuals interpret sensory impressions into a unified way of thinking and that these interpretations guide individual behaviours (*Business Dictionary*, n.d.). For this study the research takes place at the micro level, namely at individual level within the organisation.

Research carried out in this study will address the lack of research as stated by Cullen *et al.* (2003). The research will also address the issue of industry-specific research which is perceived as lacking (Barkhuizen & Rothmann, 2008; Mostert *et al.*, 2006), as this research study will take place within the hospitality industry.

The relationship between perceived organisational ethical climate and employee commitment will be researched both empirically and conceptually as recommended by De Braine and Roodt (2011). This study determines the relationship between perceived organisational ethical climate and employee commitment. Figure 1 depicts this theoretical relationship.



*Figure 1.* The theoretical relationship between perceived organisational ethical climate and employee commitment.

## ETHICAL CLIMATE AND EMPLOYEE COMMITMENT

Within this study, the focus is on the relationship between perceived organisational ethical climate and employee commitment within the Australian hospitality industry, and which will be discussed in detail. In the light of the problem statement and the research question, several specific research questions arise which are relevant to the literature review and the empirical study.

### **1.2.1 Research questions with regard to the literature review**

In order to address the literature study, the following research questions will be addressed:

Research question 1: How is perceived organisational ethical climate and employee commitment conceptualised in literature?

Research question 2: What is the theoretical relationship between perceived organisational ethical climate and employee commitment?

### **1.2.2 Research questions with regard to the empirical study**

In terms of the empirical study, the following research questions will be addressed:

Research question 1: What is the nature of the empirical relationship between perceived organisational ethical climate and employee commitment as manifested within a sample of respondents in a medium-sized Australian hospitality organisation?

Research question 2: Are there significant perceptual differences between perceived organisational ethical climate and employee commitment with regards to socio-demographic, situational and person-situational factors?

## **1.3 AIMS OF THE RESEARCH**

The general aim of the research is to explore the relationship between perceived organisational ethical climate and employee commitment. The specific literature and empirical aims are described below and provide the overarching link throughout the research.

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### 1.3.1 Specific aims: Literature review

The specific aims of the literature review are noted below.

Aim 1: To determine how the relationship between perceived organisational ethical climate and employee commitment is conceptualised in literature.

Aim 2: To determine the theoretical implications of the relationship between perceived organisational ethical climate and employee commitment.

### 1.3.2 Specific aims: Empirical study

The specific aims of the empirical study are noted below.

Aim 1: To determine the empirical relationship between perceived organisational ethical climate and employee commitment within a sample of respondents from a medium-sized Australian hospitality organisation.

Aim 2: To determine whether subgroups differ significantly in their perceptions of organisational ethical climate and their employee commitment.

## 1.4 LITERATURE REVIEW

The next section provides a literature investigation of current research in relation to the variables under study. These two variables are perceived organisational ethical climate and employee commitment and include definitions of both the research and relevant variables.

### 1.4.1 Definitions

- *Organisational culture*: These are values and norms which drive the behaviour within an organisation (Patti, 2009). Thus, ethical values within organisations are closely linked to the organisational culture, which motivates positive employee behaviours towards their organisations (Martin & Cullen, 2006).

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- *Organisational ethics*: These are beliefs about what is wrong or right and is used as a basis for judging the appropriateness of behaviour, and guides individuals when dealing with colleagues, groups and organisations as a whole (Jones, George & Hill, 2000).
- *Perceptions*: Defined as an awareness of something which encroaches on us and we are aware of it in a particular manner (Reber, 1985). Perceptions are seen as a unified awareness derived from our sensory processes which guide our behaviours (*Business Dictionary*, n.d.).
- *Organisational ethical climate*: The ethical climate of an organisation is defined as shared beliefs and perceptions of what is seen to be ethically correct and how ethical issues are handled (Victor & Cullen, 1987).
- *Employee commitment*: Implies an affective, directed focus from the individual employee towards the organisation (Anstey, 2006).

The above definitions will be utilised and explored within the context of the research study. These definitions provide a basis of the variables under study with a view to further exploring them.

### 1.4.2 Organisational culture

Schein (1985) defines organisational culture as a pattern of shared assumptions and beliefs which is developed and maintained by a group as it learns to cope with various organisational problems. These developed and accepted coping strategies are then taught to those who enter the organisation and these new employees adopt this culture. An ethical culture would refer to the manner in which organisations make decisions which are for the good of the organisation and its employees and implies a level of organisational ethics (Svensson & Wood, 2003). Organisational culture is considered one of the key elements of organisational success influencing employee commitment (Mohanty & Rath, 2012).

A developed ethics culture is normally dispersed in a top-down manner through the leaders of an organisation (Svensson & Wood, 2003). Ethics in general plays a role in almost every decision that

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individuals make (Lloyd & Mey, 2010), which influences the climate and culture within an organisation (Schein, 1985).

### **1.4.3 Organisational ethics**

Despite existing research on organisational ethics, the construct remains poorly conceptualised (Suliman & Iles, 2000). Marquis and Huston (2003) show that organisational ethics and organisational climate are often used interchangeably and that the difference lies in the perceptions of employees which is seen as good or bad and ethical or unethical. Organisational ethics is of importance for the success of any business and organisations that operate unethically will lose their global competitiveness and ultimately fail (Lloyd & Mey, 2010; Mulki *et al.*, 2008).

### **1.4.4 Perceptions of ethics**

Connor's (2006) findings show that there are gaps in employees' perceptions of the organisation as differing goals within the same organisation but at different levels will arouse feelings of suspicion and lower levels of trust between management and employees. Noted by Armenakis and Harris (2009), ethics has always been an important aspect to be considered in the functioning of organisations. They further state that if there is a skewed perception by employees as to how the organisation is functioning in comparison to what is actually occurring, feelings of resentment towards the organisation can develop as employees believe that their thinking and behaving is not in line with the value system which they purport to maintain. Employees would then consider exiting the organisation (Kang, Stewart & Kim, 2011).

### **1.4.5 Perceived organisational ethical climate**

Organisational ethical climates and the manner in which they are perceived by employees plays a pivotal role in shaping the way in which employees' behaviours towards their organisations occur and these behaviours can effect outcomes of organisations (Elci & Alpkan, 2009). Based on this finding, it is important that we understand and study the relationship between an organisation's ethical climate as perceived by employees and the commitment portrayed.

Victor and Cullen (1988) propose that each organisation can possess up to nine theoretical organisational ethical climate types due to variances in its operations and functions (Schneider,

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1975) and each of these may have a profound influence on employees. Research conducted by Kim and Miller (2008) found only six different organisational ethical climate types. This echoes Schneider's observation that differences in organisations' operations and functions will influence the number of organisational ethical climate types present. At this point it is noted that the organisational ethical climate is a component of the organisational climate (Elci & Alpkın, 2009).

Victor and Cullen (1987, 1988) found the following three main ethical climates which guide employees' ethical behaviours:

- *Benevolent*: These climates have their basis in the concern for others and attempt to maximise the interests of all employees and not just a few (Victor & Cullen, 1987, 1988).
- *Egoistic*: Employees seek to maximise their self-interests, and norms generally encourage personal gain (Cullen *et al.*, 2003).
- *Principled*: These climates portray organisational norms as utilising and adhering to codes and guidelines when making a final decision (Victor & Cullen, 1988)

Research has shown that there are relationships between most organisational ethical climates and employee commitment (Mulki *et al.*, 2008; Kim & Miller, 2008; Victor & Cullen, 1993). Perceived organisational ethical climates are shown to be either positively related (Schwepker, 2001; Simha & Cullen, 2012; Tsai & Huang, 2008) or negatively related (Elci & Alpkın, 2009; Putrantra & Kingshott, 2011).

### **1.4.6 Employee commitment**

Chow (1994) views employee commitment as the extent to which employees identify with their organisations. Suliman & Iles (2000) note that employee commitment has advantages for both employees and organisations. These include: Increased employee work performance, a motivated workforce, an improved organisational environment and reduced negative behaviours such as high turnover and absenteeism. They further note that organisational development, growth and survival are enhanced which results in a successful organisation.

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According to Roodt (2004) employee commitment evolved from engagement, attachment and involvement. Roodt further points out that because of the vast aspects associated with employee commitment, published research results may indicate contradictory findings, as previously noted in the case with Wagner (2007) and Svensson and Wood (2011).

Literature has shown the significant value of employee commitment finding that it linked to several outcomes of individual and organisational effectiveness (Kang *et al.*, 2011; Weeks, Loe, Chonko, Martinez & Wakefield, 2006). As such, employee commitment can serve as an overarching measure for many areas of effectiveness (Brown, 2003). The specific types of commitment portrayed by employees include (Meyer & Allen, 1987):

- *Affective*: This type of commitment refers to the emotional attachment which employees have towards their organisations;
- *Continuance*: This commitment refers to the perceived costs involved when exiting an organisation. These do not necessarily refer to financial losses, but to individual changes and sacrifices which would have to be made should the employee opt to exit the organisation and;
- *Normative*: This refers to employees' beliefs that they should remain loyal and committed towards their organisations, as there is a sense of obligation.

The above employee commitment types may have a considerable effect on the results of this study, as employees may have differing motivations for remaining committed towards their organisation. The questionnaire utilised in this research poses questions based on the above three types of commitment. Results from the questionnaire will determine at which level employees are committed to their organisations.

### 1.5 RESEARCH DESIGN

A quantitative research methodology was utilised to collect, analyse and report on the data. The methodology used and motivation for these methods are described in subsequent paragraphs.

### 1.5.1 Research approach

A quantitative approach will be utilised for the research study. One questionnaire comprising three sections will be distributed to employees of a medium-sized organisation in Australia and the results quantitatively analysed. The choice of quantitative analyses depends on the outcomes that the research aims to achieve (Howell, 1999). This research is concerned with the nature of the relationship between the independent and dependent variables and whether certain socio-demographic, situational and person-situational factors show significant differences in this relationship.

The first section of the questionnaire consists of employee demographic information which will assist in achieving empirical aim 2 which is to determine whether subgroups differ significantly in their perceptions of organisational ethical climate and their displayed employee commitment. Descriptive statistics will be utilised to describe the sample in terms of age, gender and tenure.

The second section of the questionnaire consists of the first measuring instrument, namely the Ethical Climate Questionnaire (ECQ) which will measure employees' perceptions of organisational ethical climate (Cullen, Victor & Bronson, 1993). The aim of this questionnaire is to gauge the differing perceptions that employees have of their organisational ethical climate. The third section of the questionnaire consists of the second measuring instrument, namely the Employee Commitment Survey (ECS) which will measure employees' commitment towards their organisation (Meyer & Allen, 2004). These latter two sections of the questionnaire will assist in addressing empirical aim 1, namely to determine the empirical relationship between perceived organisational ethical climate and employee commitment within a sample of respondents from a medium-sized Australian hospitality organisation.

Primary data will be utilised as the main source of information gathered from the raw scores of the second and third sections of the questionnaire. This collected data will be statistically analysed with Pearson's product-moment correlation coefficient ( $r$ ) to show the degree of the relationship between the two variables, the correlations between the variables and analysis of variance (ANOVA) (Howell, 1999, p. 142). ANOVA is a statistical procedure which is used to compare two or more means to determine whether a statistically, significant difference exists between the two variables (Tabachnick & Fidell, 1996). Cronbach's alpha coefficient will be used to determine the internal consistency of the questionnaires, as well as the subscales of the variables.



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Descriptive statistics between variables will be presented and discussed. A standard multiple regression analysis will be utilised to analyse collected data to determine the nature of the independent variable and the dependent variable (Howell, 1999, p.172). The *F*-test will determine whether the variances between perceived organisational ethical climate and employee commitment are equal.

### **1.5.2 Research method**

The manner in which the research will be conducted is described below. It includes the formulation of hypotheses and the identification of the two variables, the research study, the research participants, the measuring instruments, the unit of analysis, research procedure and statistical analyses.

#### *1.5.2.1 Formulation of hypotheses*

- *Hypothesis 1:* There is a statistically significant relationship between perceived organisational ethical climate and employee commitment.
- *Hypothesis 2:* Differing socio-demographic, situational and person-situational variables will influence employees' perception of organisational ethical climates and commitment towards their organisation.

#### *1.5.2.2 Variables*

Perceived organisational ethical climate is described as the independent variable and employee commitment is described as the dependent variable. The dependent variable depends on the effect which the independent variable may have on it, should there be a significant relationship (Erben & Güneşer, 2008).

#### *1.5.2.3 Empirical study*

The research study will consist of quantitative research techniques only. Utilising the Statistical Program for Social Sciences (SPSS) (2011), analyses techniques include descriptive statistics,

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internal consistency tests, correlations and regression analysis to depict relationships between variables.

### *1.5.2.4 Research sample*

One survey containing three sections will be administered to 124 full- and part-time employees at a medium-sized organisation in Australia. The three sections comprise a demographical section, a perceived organisational ethical climate section and an employee commitment section. It is presumed that a response rate of approximately 25% is expected (Leedy & Ormrod, 2005) which would result in a sample of approximately 31. There may be a possibility of spoiled questionnaires and this expected value is estimated at 1% of the total administered population (Leedy & Ormrod, 2005) allowing the total, usable response rate to be theoretically approximated at 30. However, the expectation is that a larger response rate will be attained due to the direct involvement with the organisation. Realistically a response rate of approximately 80 usable surveys is predicted to be received. Sampling will take place across all levels of employment within this Australian organisation.

Participants will range in age, gender and tenure. There is a minimum reading ability of basic English to ensure respondents are able to read, write, follow written instructions and respond appropriately. As the questionnaire is in English, it is the preferred language ability and an understanding of this is a necessity.

### *1.5.2.5 Measuring instruments*

One questionnaire containing three sections will be administered to the research sample. This survey consists of a demographic section, a perceived organisational ethical climate section and an employee commitment section.

Cullen *et al.* (1993) developed the Ethical Climate Questionnaire (ECQ) which is utilised for assessing organisational ethical climates based on three categories of organisational ethics, namely egoistic, benevolent and principled. It is an 18-item questionnaire which is ranked on a five-point Likert Scale from (1) strongly agree to (5) strongly disagree. Reported reliability coefficients range from 0.51 to 0.74 (Erakovitch, 2002). Some of the items are reverse-keyed to ensure that a strong agreement reflects a lower level of organisational ethical climate perceptions (Koh & Boo, 2004).

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The second measuring instrument, the Three-Component Model of Employee Commitment questionnaire which measures three forms of employee commitment towards the organisation, was developed by Meyer and Allen (2004). These employee commitment types include affective commitment, continuance commitment and normative commitment. This instrument is based on the perceptions of employees about the organisation's functioning and is thus appropriate for measuring the independent variable.

From these results a “commitment profile” of the organisation will be produced. Some items are reverse-keyed to ensure that strong agreement reflects a lower level of commitment. The survey is scored according to these three commitment components. Each question needs to be answered on a five-point Likert Scale ranging from (1) strongly agree to (5) strongly disagree (Meyer & Allen, 2004). The selection must be either typed or written in the response circle provided.

In research conducted by Allen and Meyer (1990) and Meyer and Allen (1984), the survey was found to have reliability coefficients of the three components ranging from 0.75 to 0.87. The reported validity coefficients for both convergent and discriminant validity are consistent and measuring employee commitment with this survey is acceptable.

### *1.5.2.6 Research unit of analysis*

The employees of the organisation will be the primary research unit of analysis. Their perceptions and behaviours, which determine their outcomes (Simha & Cullen, 2012), form the basis of this study.

### *1.5.2.7 Research procedure*

Permission was obtained from the Managing Director of the organisation. It comprises 124 employees in total. It is a medium-sized organisation which functions within the hospitality sector and whose main function is that of customer service to all its clients. An initial meeting was held with the Managing Director detailing the purpose, processes and benefits for both the organisation and the researcher. Upon verbal approval, an e-mail was sent to the Managing Director explaining the details of the discussion, including reasons for the request and requesting permission to utilise the organisation's employees for the study. Examples of test items were demonstrated in the request

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and the use of the expected results explained. Permission was granted and signed off by the Managing Director.

The organisation requested overall feedback on the results after the study had been completed. Staff members with access to a company e-mail address were informed of this potential study through electronic communication as well as other communication tools such as toolbox talks and meetings. The following were clearly explained a) The purpose and benefits for all parties concerned; b) Participation was a voluntary exercise; and c) That all information would remain confidential at all times. To reiterate this point, it was noted that no names were requested on the surveys however, some demographic information was requested for research purposes. Raw data will not be made available to the organisation as it contains corresponding demographical information which could be used to identify individuals employees

In addition, permission was requested from the sponsoring educational institution. This entailed proof of ethical behaviours and relevant consent prior to any research being undertaken. All relevant permissions, including use of existing questionnaires, were granted by the authors.

Questionnaires were individually e-mailed to employees within the organisation. Those who did not have access to e-mail or the Internet were provided with printed copies. Employees could complete the survey in their own time as no immediate time limits were imposed however, respondents had three calendar weeks to respond to the survey.

Ethical issues which were considered included aspects such as singling out employees who had submitted negative responses or who had not completed the questionnaires. Such aspects were clearly stated in the agreement between the researcher and the organisation as well as the fact that no information regarding any individual or subgroup would be revealed under any circumstances. Only overall results would be provided.

The research process was handled in strict accordance with the guidelines provided by the University of South Africa (UNISA) and the Health Professions Council of South Africa (HPCSA). UNISA granted ethical clearance for the research after a rigorous process had been followed. Informed and voluntary consent was obtained from all respondents. Use of results would be utilised for research purposes only.

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All information, data and results would be handled in the strictest confidence thereby upholding ethical standards. The research would be communicated in a manner that individuals, organisations and the community would benefit from it and that no harm would be done to any individual involved in the research process. As this is a voluntary exercise, employees may decide not to partake in the survey.

Once the participants have completed the questionnaire, the researcher will collect the responses from the respondents either by means of e-mail or by post. Data will then be collated and entered into SPSS (2011), where raw data will be analysed into meaningful results. Overall results will be communicated to the organisation while maintaining the confidentiality of all respondents.

### *1.5.2.8 Analysis of data*

Descriptive statistics will describe the sample with regards to age, gender and tenure in order to obtain an overview of the sample. As there is one independent and one dependent variable, Pearson's product-moment correlation ( $r$ ) will be used to determine the correlation, namely the direction and strength of the relationship between the variables. This correlation coefficient is utilised to measure the degree of the relationship between variables (Howell, 2011). Correlations in this study are calculated to investigate the presence of relationships between perceived organisational ethical climate and employee commitment.

Standard multiple regression analyses will be used in this study to explore the relationship between perceived organisational ethical climate and employee commitment. This statistical test refers to the tendency of the predicted values to be closer or further away from the scores from which they are predicted (Howell, 2011). In this study these results will determine whether perceived organisational ethical climate variables significantly explain or predict employee commitment.

Analysis of variance (ANOVA) is the most widely used statistical technique in research and has its advantages in dealing simultaneously with differences in sample means and two or more independent variables. These results assist in not only separately determining individual effects of variables, but also the interacting effect of two or more variables (Howell, 2011). ANOVA will be used to investigate differences in employees' perceptions of organisational ethical climate and the type of commitment shown by employees. As both the independent and dependent variables have subgroups, ANOVA is suited to this study.

### **1.6 RESULTS**

The results of the study will be discussed in significant detail in Chapter 3 in the form of a research article. These results will be presented in the form of tables of the independent and dependant variables, as well as the variables' corresponding subscales. Means, standard deviations and Cronbach Alpha values of each subscale will be depicted to determine the manner in which respondents responded to the items on the questionnaires (Hinton, 1995), as well as the level of internal consistency of the items (Nunnally & Bernstein, 1994).

Biographical information of respondents obtained from the distributed questionnaires will be displayed in table formats with corresponding explanations. Details of findings will be discussed in terms of relationships and correlations, as well as the strengths of these correlations.

### **1.7 CONCLUSIONS, LIMITATIONS AND RECOMMENDATIONS**

The last step of this study is to draw conclusions from the findings, noting possible limitations and making appropriate recommendations for further research on this topic. This study met its aims of determining the existence and nature of the relationship between perceived organisational ethical climate and employee commitment. Conclusions, limitations and future recommendations will be discussed in the final chapter.

### **1.8 CHAPTER LAY-OUT**

The division of the chapters in this study is as follows:

Chapter 2: Literature review. This chapter will include concepts and arguments for and against perceived organisational ethical climate and employee commitment, as well as implications for research.

Chapter 3: Research article. This chapter will provide an overall description of the research, ranging from the theoretical to the empirical research. Procedures in terms of the research method, research participants, measuring instruments, research procedures, statistical analyses and statistical

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hypothesis are discussed with basic results, conclusions, limitations and recommendations being provided.

Chapter 4: Results, conclusions, limitations and recommendations. Detailed conclusions will be drawn from the previously stated aims of the research study. Limitations will be identified as per the study and recommendations provided for future studies within this field.

### **1.9 CHAPTER SUMMARY**

In this chapter the research problem was presented and formulated. This included aspects such as the motivation for the research of the relationship between the perceived organisational ethical climate and employee commitment, research aims, research design, research method and the division of chapters. Chapter 2 will focus on the literature review, conceptualising perceived organisational ethical climate and employee commitment and noting significant differences in perceptions.

## CHAPTER 2

### LITERATURE REVIEW: PERCEIVED ORGANISATIONAL ETHICAL CLIMATE AND EMPLOYEE COMMITMENT

Chapter 1 focused on the background and motivation for the study with particular reference to perceived organisational ethical climate of employees as well as their commitment towards their organisations. In this chapter, these two variables are further explored. Chapter 2 will address the specific aims described in Chapter 1. The variables of the study are conceptualised in literature and the implications of the relationship between perceived organisational ethical climate and employee commitment are determined. Practical implications of the theoretical relationships between these two variables are explained with the aid of a theory and a model.

#### 2.1 PERCEIVED ORGANISATIONAL ETHICAL CLIMATE

This section focuses on conceptualising perceived organisational ethical climate with the emphasis on definitions, theories and models. The literature draws on the views of various authors with the objective of conceptualising perceived organisational ethical climate.

##### 2.1.1 Definitions of perceived organisational ethical climate

Perceived organisational ethical climate may vary from one organisation to another as a result of differences in and between individuals, groups and employment histories (Victor & Cullen, 1988) as well as differences in functionalities, processes and procedures (Schneider, 1975). As noted by Wyld and Jones (1997), an organisation's ethical climate is ordinarily seen as a macro-level construct, however the word "perceived" as an antecedent, changes the definition and the construct to a micro-level one (Victor & Cullen, 1988).

Cullen, Stephens and Victor (1989) believe that the organisation's ethical climate consists of values as to what is right and wrong and these are perceived differently by employees. Schwepker (2001) and Tsai and Huang (2008) refer to organisational ethical climate as employees' perceptions of rules, policies, values, norms and practices of the organisation, whereas Vardi (2001) and Deshpande and Joseph (2009) suggest that organisational ethical climate is a representation of employees' perceptions of the procedures and processes related to their work which possesses



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forms of ethical content. Schwepker (2001) and Shin (2012) are of the opinion that reasons for the effect of perceived organisational ethical climate are that of ambiguity and the confidence which employees have in organisational policies concerning ethical situations, as well as the belief that the organisation will maintain such ethicality. This results in less ambiguity felt by employees, thus resulting in improved employee relationships, satisfaction and commitment. Organisational ethical climates have been shown to be linked to various positive job attitudes which include aspects such as employees' commitment towards their organisations and job satisfaction (Martin & Cullen, 2006). Organisational ethical climate is seen to be one of the most important factors that shape intra-organisational relationships as well as employee attitudes and behaviours, which ultimately determine organisational success (Elci & Alpkın, 2009).

Although no pure definition seems to exist for the term "perceived organisational ethical climate", Victor and Cullen (1988) conceptualise the ethical dimension of organisational climate as a multidimensional construct which includes aspects of policies, procedures, decision-making, reward and control systems. They further state that an organisation's ethical climate consists of perceptions of the manner in which the organisation's practices and procedures are carried out.

From the above definitions and for the purposes of this research, perceived organisational ethical climate will be defined as "the shared values instilled in the processes and procedures of an organisation which are perceived by employees to be just and socially right". These perceptions determine the ethical climate of organisations (Simha & Cullen, 2012).

### **2.1.2 Perceived organisational ethical climate theory**

This section aims to achieve part of literature aim 1 of the study, namely to determine how the relationship between perceived organisational ethical climate and employee commitment is conceptualised in literature. This will be explained by way of ethical climate theory. Theories address shortcomings through theoretical justification (Vitell, Nwachukwu & Barnes, 1993) and guide our understanding of principles and dimensions (Cullen, Parboteeah & Hoegl, 2004). In this study, the understanding of specific organisational and social dimensions of perceived organisational ethical climate and employee commitment is relevant.

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### 2.1.2.1 Ethical climate theory

Organisational ethical climate types have two dimensions: loci of analysis and ethical criteria (Victor & Cullen, 1988). The first dimension, loci of analysis, as conceptualised by Victor and Cullen (1988) possesses three levels of reference groups within organisations. These include:

- *Individual:* Organisational ethical climates are supported by norms which favour individuals. Individual employee's moral reasoning originates from the individuals themselves;
- *Local:* Organisational ethical climates are supported by norms which favour reference groups within the organisation. Moral reasoning is derived from the employee's social system; and
- *Cosmopolitan:* Organisational ethical climates are supported by norms which favour external sources of ethical reasoning.

The second dimension of organisational ethical climate types as identified by Victor and Cullen (1988) refers to ethical criteria. They identify three major ethical climates which can occur at different levels within the organisation, namely egoistic, benevolent and principled and are discussed below.

#### *Egoistic climate*

When employees perceive organisational ethical climate as egoistic, they manage ethical dilemmas in a manner that maximises their own self-interests (Victor & Cullen, 1988). Barnett and Vaicys (2000) believe that the egoistic climate is based on a concern for oneself or what is in the individual's best interest. Similarly, egoistic climates are denoted by behaviours of individuals concerned with self-interest and maximising own behaviours (Martin & Cullen, 2006). Coldwell, Billsberry, Van Meurs and Marsh (2008), and Gross (1995) note that egoistic climates are characterised by individuals' concern for themselves in order to avoid punishment and gain reward. This climate has been found to have negative impacts on employee commitment (Elci & Alpkan, 2009) with consequences such as increased turnover (Ambrose *et al.*, 2008; DeConinck, 2011; Simha & Cullen, 2012; Sims & Keon, 1997).

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### *Benevolent climate*

A benevolent climate is generally characterised by decisions and actions which create the best outcome for the majority of employees (Victor & Cullen, 1988). Ferrel and Fraedrich (1997) believe the benevolent climate has its roots in the concern for the group or organisational well-being. Coldwell *et al.* (2008) and Gross (1995) believe that the benevolent climate refers to the consideration of others and joint interests resulting from order and fixed rules. Often associated with caring and concern for one another, benevolent climates are found to be positively associated to employee commitment (Elci & Alpkan, 2009) with an outcome of reduced employee turnover (Mulki *et al.*, 2008; Stewart *et al.*, 2011).

### *Principled climate*

A perceived principled organisational ethical climate is characterised by employees conforming to the policies, rules and procedures of the organisation to guide their decisions (Victor & Cullen, 1988). Barnett and Vaicys (2000) believe that such climates are characterised by ethical dilemmas which are approached by utilising universal, ethical standards or unchanging principles classified as right or wrong and are found to be positively associated to employee commitment (Cullen *et al.*, 2003; Elci & Alpkan, 2009). Kohlberg (1984, p. 7) believes that as moral development occurs it results in a progression from the concern for oneself to the concern for others and then to a concern for humanity in general, resulting in increased ethical behaviours such as whistle-blowing. Such climates are known to have reduced employee turnover (DeConinck, 2011; Sims & Keon, 1997).

Within these reference groups there are organisational ethical climate types which are utilised to better understand employees at a particular level within the organisation (Barnett & Vaicys, 2000; Leung, 2008). In the case of this research study, the individual level will be the employee focus. Table 1 below outlines the nine different theoretical organisational ethical climate types.

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Table 1

*Theoretical Organisational Ethical Climate Types*

### LOCI OF ANALYSIS

ETHICAL CRITERIA	Individual	Local	Cosmopolitan
<b>Egoism</b>	Self-interest	Company Profit	Efficiency
<b>Benevolence</b>	Friendship	Team Interest	Social Responsibility
<b>Principled</b>	Personal Morality	Rules & Procedures	Laws and Codes

*Note.* From "The Organizational Bases of Ethical Work Climates", by B. Victor, & J. B. Cullen, 1988, *Administrative Science Quarterly*, 33(1), p. 104. Reprinted with permission.

According to Victor and Cullen (1988) a locus of analysis refers to a referent group within an organisation which determines the source of moral reasoning when applying ethical criteria to organisational decisions. Organisational ethical climate types will vary depending on the organisation's duties and operations (Schneider, 1975). Research has found nine perceived theoretical, ethical climate types in an organisation (Victor & Cullen, 1988), while others have revealed between five and seven perceived theoretical organisational climate types (Barnett & Vaicys, 2000; Simha & Cullen, 2012). These nine include: Self-interest, company profit, efficiency, friendship, team interest, social responsibility, personal morality, rules and procedures, and laws and codes (Victor & Cullen, 1988). As noted above, research seems to lack consensus in the number of ethical climates which organisations can possess. Leung (2008) showed that more than two perceived organisational ethical climates can co-exist in one organisation.

Alongside theoretical organisational ethical climate types are the empirical organisational ethical climate types. These include instrumental, caring, independence, rules, and laws and codes (Victor & Cullen, 1988). Fewer organisational ethical climates actually occurring in organisations have been empirically identified in comparison to the nine theoretical organisational ethical climate types (Ambrose *et al.*, 2008; Tsai & Huang, 2008).

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Table 2

*Empirical Organisational Ethical Climate Types*

### LOCI OF ANALYSIS

ETHICAL CRITERIA	Individual	Local	Cosmopolitan
<b>Egoism</b>	Instrumental	Instrumental	
<b>Benevolence</b>	Caring	Caring	
<b>Principled</b>	Independence	Rules	Laws and Codes

*Note.* From "The Organizational Bases of Ethical Work Climates", by B. Victor & J. B. Cullen, 1988, *Administrative Science Quarterly*, 33(1), p. 112. Reprinted with permission.

Elci and Alpkın (2009) note that of these nine perceived theoretical organisational ethical climates, some may influence employees' overall commitment in a positive manner, some in a negative manner and some have no influence.

Cullen *et al.* (2003) and Simha and Cullen (2012) showed that benevolent and egoistic climates influenced employees' commitment towards their organisation. Similarly, Du Preez (2003) and Martin and Cullen (2006) found that a predominantly bureaucratic organisational ethical climate discouraged employee commitment towards organisations. These findings correlate with Victor and Allen's (1988) organisational ethical climates of the rules and codes component of their model. In agreement with this research, Castro and Martins (2010) note that an organisation's perceived ethical climate plays a pertinent role in successful organisations.

As this research study has its aims at the micro level, the individual and local loci of analysis are the focus of the study. Noted by Parboteeah and Kapp (2008), the most relevant loci of analysis utilised to better understand employees, are at the local level.

### 2.1.3 Perceived organisational ethical climate model

This section explains perceived organisational ethical climate with a theoretical model. According to Mouton and Marais (1996), underlying assumptions of theories and models form the context of a

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study. The various components of the model and how these link to the research study, are discussed. This will provide a deeper understanding of the aspects considered within the study.

### *2.1.3.1 Theoretical model of perceived organisational ethical climate*

Organisational ethical climate as a component of organisational climate (Victor & Cullen, 1987) is in existence for the purpose of developing and maintaining routine behaviours and attitudes of its employees (Schneider & Rentsch, 1988). The nine identified perceived theoretical organisational ethical climate types can be grouped into three ethical criteria. These include egoistic, benevolent and principled (Victor & Cullen, 1988) and are depicted in Figure 2 below. This is a simplistic, theoretical model which has been adapted from Elci and Alpan (2009). Their model originally focused on job satisfaction, however as research reveals, there are relationships, either positive or negative, between the different levels and types of organisational ethical climate types and employee commitment (Cullen *et al.*, 2003; Jaramillo, Mulki & Solomon, 2006; Martin & Cullen, 2006; Simha & Cullen, 2012; Valentine & Barnett, 2007).

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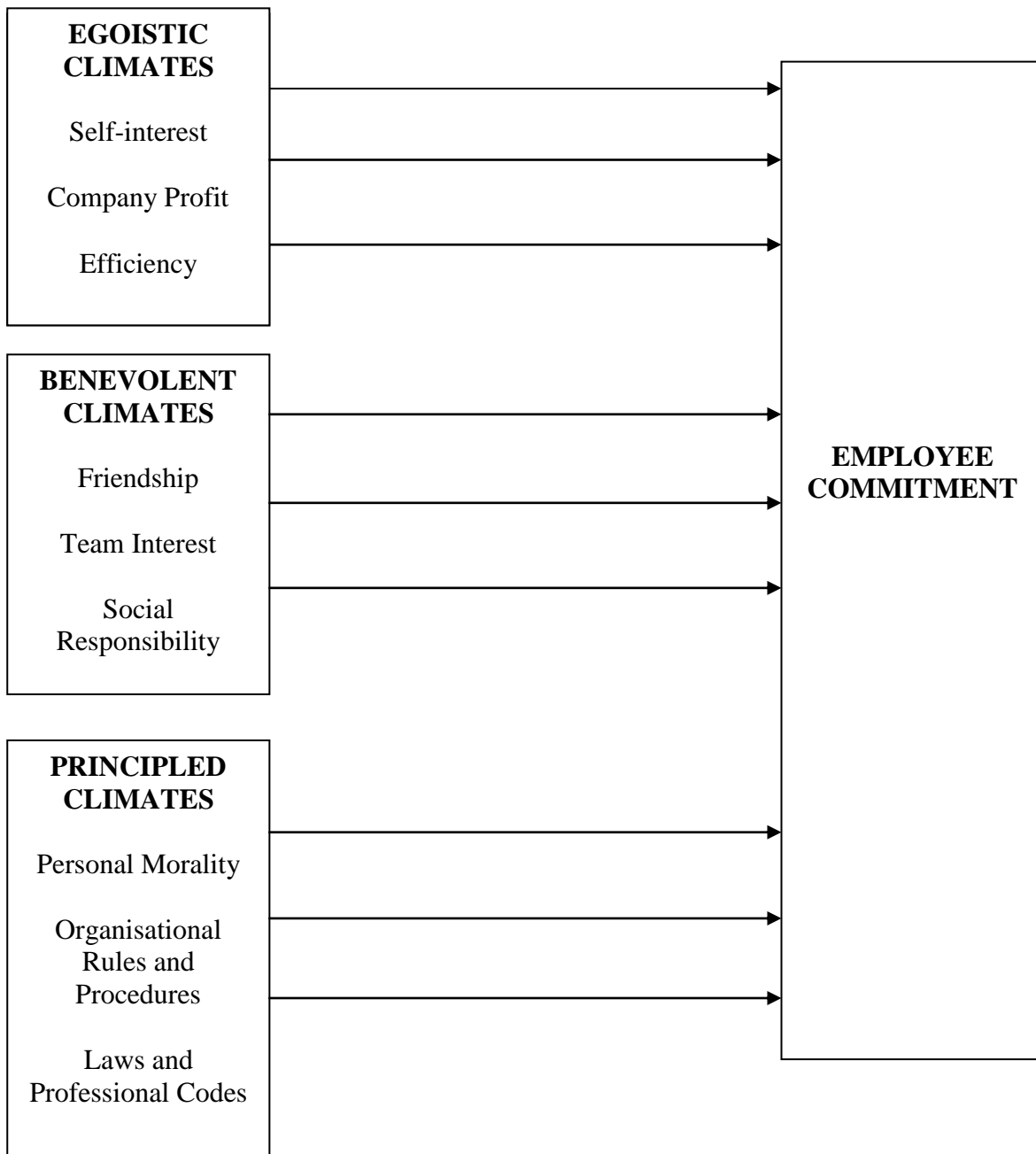


Figure 2. Theoretical model of perceived organisational ethical climate. Adapted from "The impact of perceived organizational ethical climate on work satisfaction", by M. Elci, & L. Alpan, 2009, *Journal of Business Ethics*, 84, p. 301. Reprinted with permission.

Figure 2 illustrates the theoretical relationship between the nine different perceived organisational ethical climates and employee commitment. Within the egoistic ethical criteria, perceived organisational ethical climates of the organisational ethical climate occur at different levels. These ethical climates are: Self-interest, company profit, and efficiency; within the benevolent ethical criteria, the climates include: Friendship, team interest and social responsibility elements, and

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within the principled ethical criteria, these climates are characterised by elements of personal morality, rules and procedures and laws and codes (Victor & Cullen, 1988).

Studies have indicated that egoistic organisational ethical criteria and its relative climates have a negative relationship with employee commitment (Cullen *et al.*, 2003; Martin & Cullen, 2006), whereas positive relationships have been found between benevolent ethical criteria and its organisational ethical climates, which positively influence employee commitment (Cullen *et al.*, 2003; Jaramillo *et al.*, 2006). Principled ethical criteria and its organisational ethical climates have been found to positively influence employee commitment (Cullen *et al.*, 2003; Valentine & Barnett, 2007).

### **2.2 ORGANISATIONAL CLIMATE AND ORGANISATIONAL CULTURE**

As briefly mentioned in Chapter 1, an organisation's climate and its culture are frequently referred to interchangeably. It is believed that perceived organisational climate is a component of organisational culture, whether ethical or not (Clapper, 2000; Cullen *et al.*, 1989; Weber & Gerde, 2011). Elci and Alpkın (2009) note that perceived organisational ethical climate in fact forms part of the organisational climate. For the above reasons, organisational culture and its climate are distinguished.

Schein (1992) defines organisational culture as a pattern of shared, basic values and assumptions and describes the relationship between organisational climate and culture as being symbiotic, where an organisational climate manifests from the organisation's culture. Appelbaum, Deguire and Lay (2005) state that organisations' ethical values form part of its culture. McMurray and Scott (2003) argued that both organisational climate and organisational culture exist and that the mere difference between the two is that of employee perception. In agreement with McMurray and Scott, Weber and Gerde (2011) believe that organisational characteristics such as environmental uncertainty and perception, influence the organisational ethical climate.

Research has shown that organisational culture has a significant influence on the success of an organisation (Arnold & Randall, 2010). Stewart *et al.* (2011) note that employees' perceptions of organisational climate have a marked impact on both employees' attitudes and behaviours and include aspects of satisfaction, commitment to their work and an effect on performance. These



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shared perceptions and values link to the definitions of organisational culture (Cullen *et al.*, 1989; Elci & Alpan, 2009). Robbins and Judge (2012), in agreement with the connection between organisational culture and climate, note that employees' perceptions of how organisations carry out their values also relate to organisational climate.

### 2.3 EMPLOYEE COMMITMENT

This section focuses on conceptualising employee commitment with the purpose of achieving literature aim 1, namely to determine how the relationship between perceived organisational ethical climate and employee commitment is conceptualised. Particular focus is placed on definitions, dimensions, theories and models. Social exchange theory's basic premise is if an individual provides a benefit to another, the recipient believes there is an obligation to return the benefit (Shore, Bommer & Shore, 2008). This theory is utilised to conceptualise employee commitment.

#### 2.3.1 Definitions of employee commitment

Cullinan *et al.* (2008) note that employees' commitment towards organisations has been a well-studied research topic for over 40 years, as increasing competition amongst organisations requires employees to be more cognitively and emotionally committed to their organisations (Rothmann & Rothmann, 2010). Kamfer, Venter and Boshoff (1994) showed commitment to be a multi-dimensional construct. Later Meyer, Becker and Vandenberghe (2004) confirmed this finding noting that commitment is difficult to define due to the different orientations associated with it.

Kanter (1968) defined employee commitment as the willingness of individual employees to give their loyalty and energy towards their organisation, which results in an emotional bond with the organisation. In other definitions, Meyer and Allen (1991, 1997) and Meyer and Herscovitch (2001) defined commitment as a type of force which binds an individual to a particular object. Within this research study this force which binds the employees to their organisations is commitment.

Porter, Steers, Mowday and Boulian (1974) defined employee commitment as employees' strength which relates to their involvement with, and identification towards their organisation. In a similar definition, Beeri, Dayan, Vigoda-Gadot and Werner (2012) note commitment as being commonly defined as the varying degrees of involvement and identification which individuals have with their organisations.

From these definitions it is clear that employee commitment has various forms and can be directed at various targets (Cohen, 2003) and that these definitions have incorporated similar aspects over the years. For purposes of this study employee commitment is defined as "a multi-dimensional construct which portrays the strength of involvement and identification that employees have with their organisations". This description maintains elements of the definitions provided by Meyer and Allen (1991), which links to the Employee Commitment Survey (ECS) described later in this chapter.

### **2.3.2 Categories of employee commitment**

The theoretical aim of this study attempts to determine how employee commitment is conceptualised in literature. For this reason, a detailed exploration of employee commitment is discussed. Commitment is studied from three different theoretical approaches (Roodt, 2004) and is explained below.

#### *2.3.2.1 Attitudinal approach*

Attitudinal approaches refer to three aspects of commitment (Roodt, 2004). These include normative commitment (morals) which refers to a sense of obligation towards an organisation; affective commitment (attitude) which refers to the identification with and emotional involvement towards the organisation; and continuance commitment (calculative) which refers to the costs involved with departing the organisation (Meyer & Allen, 1997; O'Reilly & Chatman, 1986; Wiener, 1982). This approach is not without limitations. As a multi-dimensional construct it creates difficulties in predictive models making it problematic in obtaining complete clarity and includes both cognitive and affective aspects which allows overlapping in the various spheres of employment attitudes (Roodt, 2004).

#### *2.3.2.2 Behavioural approach*

The behavioural approach refers to certain investments which employees have with their current organisation (Becker, 1960). As behaviour is multi-dimensional in scope, it is difficult to study in isolation as certain behaviours are predictive of others and can further influence behaviours (Wiener & Gechman, 1977; Roodt, 2004).

### *2.3.2.3 Motivational approach*

This approach attempts to incorporate various perspectives of commitment approaches, thereby overcoming limitations in the previous two approaches (Kanungo, 1982). The motivational approach focuses on employee commitment within a specific scope, separating it from its antecedents and consequences (Roodt, 2004).

From the above, employee commitment is studied from different approaches, however the motivational approach is proposed as a superior integration providing a solid theoretical foundation for conceptualising employee commitment as a cognitive approach to work (Roodt, 2004). Further to the approaches of employee commitment, the focus now shifts to the dimensions of employee commitment.

### **2.3.3 Dimensions of employee commitment**

Numerous researchers have explained employee commitment in many ways (Beeri *et al.*, 2012; Kamfer *et al.*, 1994; Meyer & Allen, 1991; Mowday *et al.*, 1982). Initially there was a debate as to whether employee commitment was an attitudinal or behavioural phenomenon (Allen & Meyer, 1990; Mowday *et al.*, 1982) however, as noted in the definitions of employee commitment; it has been defined as multi-dimensional in nature, which includes affective, calculative, moral and alienative commitment (Chen & Indartono, 2011; Kamfer *et al.*, 1994). In the light of this, and in order to further literature aim 1, namely to theoretically determine how the relationship between perceived organisational ethical climate and employee commitment is conceptualised in literature, four types of employee commitment are discussed below.

#### *2.3.3.1 Affective commitment*

Also referred to as attitudinal commitment, affective commitment encompasses the strength with which an individual identifies with and becomes involved in an organisation (Kamfer *et al.*, 1994). Mowday *et al.* (1982) conceptualise affective commitment as comprising three aspects:

- A strong acceptance and belief of organisational values and outcomes;
- A desire to commit to certain levels of effort towards the organisation; and

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- A need to remain a member of the organisation.

Chen and Indartono (2011) perceive affective commitment as a positive and emotional attachment which employees have with their organisations, resulting in a strong identification with organisational goals. Mahembe and Engelbrecht (2013) note that affective commitment is the most widely utilised component of employee commitment for analytical purposes.

### 2.3.3.2 *Calculative commitment*

This commitment type is also known as continuance or behavioural commitment (Johnston & Snizek, 1991) and is defined as the calculated and associated costs of leaving an organisation, which grow over time (Chen & Indartono, 2011; Mathieu & Zajac, 1990). Thus, because of certain investments with the organisation, the employee feels that the costs to remain with the organisation outweigh the motivation to leave. These costs refer to social, monetary, psychological or others, which bind the employee to the organisation (Chovwen, 2012). Mathieu and Zajac (1990) refer to these costs as side bets. This commitment is similar to that referred to by Meyer and Allen (1991) where employee commitment is seen as a force which connects an employee to an organisation.

### 2.3.3.3 *Moral commitment*

Moral commitment refers to an identification with one's organisation and the internalisation of the organisation's norms (Angle & Perry, 1981). While some researchers believe that moral commitment is a dimension on its own (Allen & Meyer, 1990), others believe moral commitment to be either an affective or attitudinal dimension (Mathieu & Zajac, 1990; Mowday *et al.*, 1982). Moral commitment, referred to by Allen and Meyer (1991) as normative commitment, refers to a type of responsibility employees have towards organisations (Allen & Meyer, 1990). Chen and Indartono (2012) view normative commitment as a moral obligation by employees towards their organisations.

### 2.3.3.4 *Alienative commitment*

Also referred to as alienative involvement by Kamfer *et al.* (1994), this type of employee commitment portrays a negative attitude towards the organisation. It occurs where employees feel held back in their jobs and cannot fully develop themselves (Kamfer *et al.*, 1994). Alienative

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commitment is characterised by a lack of motivation by employees to achieve organisational goals, yet choosing to remain with the it. It refers to a negative attachment which employees have with their organisations (Büssing, 2002).

Allen and Meyer (1990) suggest that employee commitment may occur as a causal ordering, speculating that as moral obligations are internalised, they form norms which then influence employees' feelings about what they want to do or to justify their current behaviours. It is important to note that the varying forms of commitment tend to occur together and are thus not mutually exclusive (Allen & Meyer, 1991; Chen & Indartono, 2011).

### **2.3.4 Employee commitment theory**

There are many employee commitment theories available in literature (Tay, 2009), however, the theory discussed below is applicable to this research study as it explains employee commitment with the aim of conceptualising employee commitment. This discussion assists in achieving our first literature aim, namely to determine how the relationship between perceived organisational ethical climate and employee commitment is conceptualised in literature.

#### *2.3.4.1 Social exchange theory*

Despite differing views on social exchange theory (SET), theorists agree that social exchanges comprise interactions which are interdependent of one another and which generate certain obligations of others (Emerson, 1976). These interactions are seen as being dependent on the actions of the other person and that such actions can generate relationships of a high standard (Blau, 1964). It is noted by Cropanzano and Mitchell (2005, p. 1) that SET "is one of the most influential conceptual paradigms in organisational behaviour". In the light of this bold statement, SET will assist in providing a deeper understanding of employee commitment.

Utilising the SET framework, workplace relationships lead to interpersonal connections referred to as social exchange relationships (Cropanzano, Byrne, Bobocel & Rupp, 2001). Social exchanges are seen as actions which are contingent on the beneficial actions given by others and over time develop into mutually rewarding, interpersonal and quality relationships (Cropanzano & Mitchell, 2005).

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Within the work environment, employees are presumed to form social exchange relationships at various levels and with various stakeholders within the organisation (Cropanzano & Mitchell, 2005). These relationships held with various stakeholders have direct implications on the behaviour of all parties in that the parties will return the level of helpfulness and commitment at the level which they perceive as having received within a social exchange relationship (Malatesta, 1995; Masterson, Lewis, Goldman & Taylor, 2000).

The fundamental basis of SET is that relationships involve certain unspoken rules of exchange as these relationships develop over time, and the trust levels, loyalty and mutual commitments harbour positive characteristics (Emerson, 1976). Cropanzano and Mitchell (2005) believe that the norms and rules of exchange act as the guiding force of the entire exchange process and within the organisational behaviour scope the use of SET is the basis upon which organisations rely in the exchange process of employment. SET consists of two basic concepts which underlie the behavioural exchanges, namely:

- *Reciprocity*: This is the most common exchange rule (Gouldner, 1960). To reciprocate a behaviour towards someone or something implies a bi-directional interaction (Cropanzano & Mitchell, 2005), thus once a certain behaviour or reward has been granted, the mutual expectation of the giver is that the action will be returned favourably in the same manner (Molm, 1994). If this is applied within the working environment, what is offered by the employer is evaluated by the employee and a corresponding behaviour is reciprocated to the expecting employer (Molm, 2003) and;
- *Negotiated rules*: Exchanges between parties may also occur as a result of negotiations where parties agree what is to be provided and what is to be given and in such cases, both parties are fully aware of what is expected and what the obligations of both are (Cook, Emerson & Gillmore, 1983). These negotiations are however, generally associated with economic exchanges (Cropanzano & Mitchell, 2005) and generally less trusting relationships (Molm, Takahashi & Peterson, 2000).

When comparing social and economic exchanges, Blau (1964) argued that social exchanges outweigh the economic and negotiated exchanges as social exchanges consist of obligations which are unspecified by parties and that reciprocating such an exchange has no grounds for bargaining. Although reciprocity seems the preferred social exchange means, negotiated rules are also

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important when situations require clear expectations from both parties (Cropanzano & Mitchell, 2005).

Cropanzano and Mitchell (2005) note that two parties can be seen to be related in terms of the expectation that each has of the other. However, as previously defined, exchanges are a series of transactions and if transactions and relationships are not accurately defined and distinguished from one another, it can cause a breakdown in expectation (Emerson, 1976). Relationships can be interpreted either as a series of interdependent exchanges or as the personal attachments that arise from interdependent exchanges (Clark & Mills, 1982). In Table 3, Cropanzano and Mitchell (2005) identify the matches between social and economic exchanges.

Table 3

### *Transactions and Relationships in Social Exchanges*

		TYPE OF TRANSACTION	
		SOCIAL EXCHANGE	ECONOMIC EXCHANGE
		CELL 1: MATCH	CELL 2: MISMATCH
TYPE OF RELATIONSHIP	SOCIAL EXCHANGE	Social transaction in a social relationship	Economic transaction in a social relationship
	ECONOMIC EXCHANGE	CELL 3: MISMATCH Social transaction in an economic relationship	CELL 4: MATCH Economic transaction in an economic relationship

*Note.* From "Social Exchange Theory: An Interdisciplinary Review", by R. Cropanzano & M. S. Mitchell, 2005, *Journal of Management*, 31(6), p. 887. Reprinted with permission.

Cell 1 and Cell 4 display matches where the contingent transaction takes place in the corresponding relationship. Cell 2, on the other hand, shows an economic transaction occurring within a social relationship. This is perceived as a mismatch as the potential losses here are seen to be social in nature should there be a failure to release the economic exchange. In Cell 3 parties are engaging in a social transaction within an economic relationship. There seems to be a comparable employer-employee relationship where for example, the employee is at the frontline of customer service and being friendly and polite to customers is part of the employee's position. In return, the employee

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receives compensation. The employee may perceive this relationship as a mismatch due to the occurrence of a social transaction within an economic relationship. This can be perceived as stressful and may lead to emotional stresses (Cropanzano, Weiss & Elias, 2004). When faced with stress, individuals attempt to remove the stressors and this may result in lowered productivity, increased absenteeism or exiting the organisation (Meyer & Allen, 1997).

Although simplistic in nature, this model demonstrates how easily a mismatch in expectation can occur, resulting in relationship ambiguity (Cropanzano & Mitchell, 2005). Taking into account the current study, it is expected that should a certain amount of ambiguity exist between the employees and the employer, employees may withdraw from performing and functioning optimally.

Utilising this model with its functioning of social exchanges and relationships, it is assumed that these exchanges and relationships occur within certain organisational ethical climates (Barnett & Vaicys, 2000; Leung, 2008; Victor & Cullen, 1988); that these perceived organisational ethical climates have an effect on employee behaviours and commitment (Schminke, Ambrose & Neubaum, 2005); and that perceived organisational ethical climates shape intra-organisational relationships such as attitudes and behaviours (Elci & Alpkın, 2009). Thus the level of reciprocation and expectation placed upon others determines the level at which individuals commit to them (Cropanzano & Mitchell, 2005). In the case of this research study, this would be the organisation.

### **2.3.5 Employee commitment model**

This section describes employee commitment with the use of the Three-Component Model (TCM) of employee commitment. The components of this model and how it links to the research study are discussed. Models in general provide insight and explanations of the context of studies (Mouton & Marais, 1996) and in this study the employee commitment context is explored within an organisational setting.

#### *2.3.5.1 Three-Component model of employee commitment*

Meyer and Allen (2004) believe that commitment implies an intention to persist with something and through this persistence, organisations attempt to create a climate of commitment within their employees in order to achieve stability and reduce absenteeism and turnover. Research has shown



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that positive employee commitment contributes to lower levels of turnover (Allen & Meyer, 1990; Chovwen, 2012; Newstrom & Davis, 2002). Meyer and Allen (2004) further note that committed employees are seen to work harder to assist organisations in achieving its organisational objectives and contribute to overall organisational success.

In the context of this study, employee commitment is a psychological connection which employees have with their organisations (Meyer & Allen, 1997) and as the aim of this study is to determine the relationship between perceived organisational ethical climate and employee commitment, Meyer and Allen's TCM of employee commitment is employed to achieve this. The three employee commitment types include: Affective commitment, continuance commitment and normative commitment (Meyer & Allen, 1991). Meyer and Allen (1999) note that each of these commitment types motivates employees to be committed in different ways.

The TCM was developed by Allen and Meyer through the identification of common themes when conceptualising commitment in literature (Allen & Meyer, 1990; Meyer & Allen, 1984). Within the identified common themes Allen and Meyer argued that commitment binds employees to their organisations through the achievement of organisational objectives, thus reducing employee absenteeism and turnover.

The TCM is based on a comprehensive understanding of employee commitment through different components. The components of this model are discussed below (Meyer & Allen, 1991).

### *Affective commitment (AC)*

This component refers to employees' emotional attachment, identification with and involvement in their organisation because they choose to and want to. Beck and Wilson (2000) view affective commitment as a component which develops as a result of identifying with the organisation, thereby internalising its values.

### *Continuance commitment (CC)*

This component comprises the attachment that employees gain when determining perceived costs of leaving the organisation. These employees generally stay with their organisations as they perceive high costs associated with leaving as well as unsatisfactory alternatives (Allen & Meyer, 1991).

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Thus, this type of commitment is seen as calculative in nature as employees calculate the risks and costs associated with leaving the organisation. Employees who are connected to organisations with continuance commitment as the primary link, tend to remain with the organisation as they feel they have to (Meyer & Allen, 1991). Continuance commitment can be viewed similarly to SET where Cropanzano and Mitchell (2005) classify this type of relationship as a mismatch due to the social exchange or relationship occurring within an economic environment. The fundamental difference between affective and continuance commitment is that the former allows for employees to remain with the organisation because they want to, whereas the latter allows for employees to remain with the organisation because they have to (Meyer & Allen, 2004).

### *Normative commitment (NC)*

This component refers to employee attachment based on one's motivation to conform to the social norms of the organisation and to remain loyal (Meyer & Allen, 1991). Allen and Meyer (1990) believe employees feel a sense of responsibility towards their organisations when carrying out morally-correct behaviour. Employees tend to internalise the normative beliefs of the organisation which results in employees feeling obliged to remain with the organisation (Meyer & Allen, 1997, 2004). Suliman and Iles (2000) note that the strength of normative, organisational commitment is influenced by certain rules which expect a level of reciprocity between employees and organisations. McDonald and Makin (2000) note this reciprocity between parties to be based on SET, previously identified by Cropanzano and Mitchell (2005) as a reciprocal obligation between the two parties.

Meyer and Allen (1991) believe that each of these components contributes towards the relationship which employees maintain with their organisations and that these three forms of commitment are interdependent as employees are able to experience varying degrees of each at a time. They further note that each component has a profound influence on the continued employment with the organisation, with varying consequences, which may affect this relationship (Chen & Indartono, 2011).

Through the integration of these three forms of commitment, researchers believe that commitment is in fact multi-dimensional in nature, where the underlying basis of each component differentiates each of these (Chen & Indartono, 2011; Meyer & Allen, 1991). These researchers are in agreement with definitions previously provided by Kamfer *et al.* (1994) and Meyer *et al.* (2004).

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Research shows that employees who wish to remain with an organisation tend to perform at a higher level than those who do not (AC) and that employees who wish to remain with an organisation due to obligations towards it (NC) also perform at higher levels than those who feel no or less obligation (Fu, Deshpande & Zhao, 2011; Meyer & Allen, 1991, 1997). Lastly, employees who choose to remain with their organisation as they could possibly lose something of value (CC), such as friendships or benefits, choose to do only the minimum which is required of them in order to remain in their positions (Meyer & Allen, 1991, 1997).

Meyer and Allen (1991) argued the necessity of distinguishing between the different types of employee commitment as their behavioural implications are different and affect organisational objectives in different ways. Within the context of this study, employee commitment behaviours are theoretically shown to be influenced by perceived organisational ethical climates (Martin & Cullen, 2006). The commitment shown by employees varies with regards to the connection they have with their organisation, which is dependent upon the individual employees' reasons for being committed and which further varies in terms of those who want to remain with the organisation (AC), those who should remain with the organisation (NC), and those who feel they have to remain with the organisation (CC) (Chen & Indartono, 2011; Meyer & Allen, 2004). Thus the type of employee commitment displayed within this study from the data analysis will assist in identifying which types of employee commitment are prevalent within this organisation.

### **2.4 PERCEIVED ORGANISATIONAL ETHICAL CLIMATE AND EMPLOYEE COMMITMENT**

In order to achieve literature aim 2 of the study, namely to determine the theoretical implications of the relationship between perceived organisational ethical climate and employee commitment, this section integrates the relationship of these two variables. Outcomes of this relationship are discussed and the relationship is shown to exist.

There has been a marked increase in the interest of organisational ethics (Erben & Güneşer, 2008; Kuntz, Kuntz, Elenkov & Nabirukhina, 2013) with evidence indicating that a strong organisational ethical climate is essential in preventing unethical acts (Ahmed & Machold, 2004; Douglas, Davidson & Schwartz, 2001). It is agreed that employee commitment is an important construct to study, particularly within the behavioural and organisational scope (Chen & Indartono, 2011).

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Eaton (2003), Erben and Güneşer (2008) and Rashid, Sambasivan and Johari (2003) note the factors which affect employees' commitment towards their organisations, both at the individual and organisational level. These include company policies, culture and individual characteristics. It is further shown that perceived organisational ethical climates have a profound influence in shaping employee behaviours (Erben & Güneşer, 2008; Kuntz *et al.*, 2013).

Schalk and Freese (1997) note that the commitment portrayed by employees towards their organisations may change as a result of employees' changing perceptions. In agreement with this, White (2008) anticipated that the relationship between employees and organisations is a dynamic one, which is always changing. At the individual level, employees alter their behaviours, including commitment, dependent upon short-term opportunities provided by the organisation (Perish, Cadwallader & Busch, 2008). As employees' perceptions and therefore their commitment towards their organisation is dependent upon both individual characteristics and the organisational environment, employee behaviours are not always consciously controlled by employees and may alter with time (Chen & Indartono, 2011).

Cullinan *et al.* (2008) note that research reveals that unethical organisational climates generally benefit organisations in the short term however, such organisations generally do more harm in the long term; harm that may be irreparable. As organisations strive to be successful through the achievement of their objectives, unethical behaviours and the resultant employee commitment, will hamper this success (Martin & Cullen, 2006; Meyer & Allen, 2004). Employees who perceive organisational ethical climates as unethical display lower levels of commitment (Jaramillo *et al.*, 2006; Simha & Cullen, 2012; Wang & Hsieh, 2012).

Research shows that employee commitment is associated with the embedded ethical values of an organisation and that the greater the perceptions of climates comprising ethical content the more employees are committed towards their organisation (Kang *et al.*, 2011). In order to increase employee commitment, organisations are encouraged to foster a culture that creates and nurtures employee judgements of the organisational ethical climate (Kang *et al.*, 2011).

Table 4 below provides a list of some researchers who examined the relationship between perceived organisational ethical climate and employee commitment. Included in the table are the main findings of their research.

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Table 4

*Studies Conducted on the Relationship Between Perceived Organisational Ethical Climates and Employee Commitment*

<b>AUTHORS</b>	<b>DATE</b>	<b>MAIN FINDINGS</b>
Cullen, Parboteeah & Victor	2003	Benevolent and principled climates found to be positively related to employee commitment; egoistic climates found to be negatively related to employee commitment.
Martin & Cullen	2006	Perceptions of caring climates are positively related to affective commitment; egoistic climates are negatively related to commitment.
Okpara & Wynn	2007	Perceived organisational ethical climates are strongly correlated to employee commitment.
Putranta & Kingshott	2011	A negative relationship exists between egoistic climates and affective commitment; principled climates positively influence affective commitment.
Schwepker	2001	Positive organisational ethical climates (benevolent and principled) were found to be positively correlated to employee commitment.
Sims & Keon	1997	Relationships exist between perceived organisational ethical climates and employee commitment.
Tsai & Huang	2008	Egoistic climates found to be negatively associated with affective and overall commitment; benevolent and principled climates found to be positively related to normative commitment.

*Note.* Adapted from "Ethical Climates and their effects on organizational outcomes: Implications from the past and prophecies for the future", by A. Simha & J. B. Cullen, 2012, *Academy of Management Perspectives*, p. 26. Reprinted with permission.

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The constant which emerges from the above is that benevolent and principled climates, particularly those at the individual level, namely: Caring and independence, tend to foster positive organisational and employee outcomes, whereas egoistic climates at the individual level namely: Instrumental climates, tend to foster negative organisational and employee outcomes.

In addition, research over the last ten to fifteen years has shown similar results in different organisations, countries and industries. These findings reveal that the types of perceived organisational ethical climates and their effect on employee commitment types have not significantly changed. Despite these research outcomes, the relationship between perceived organisational ethical climate and employee commitment remains an increasingly researched topic (Cullen *et al.*, 2003; Elci & Alpkın, 2009; Martin & Cullen, 2006; Mathe & Slevitch, 2013; Sims & Keon, 1997).

Cullen *et al.* (2003), Martin and Cullen (2006) and Sims and Keon (1997) commonly hypothesise that employees maintain higher levels of commitment when they perceive organisational cultures and climates as ethical and caring (Martin & Cullen, 2006). These perceived organisational ethical climate types are inherent at the individual level of the organisation (Victor & Cullen, 1988). According to Reynolds (2003), organisations which are perceived as being ethical by their employees, are also perceived as being trusting and friendly, which is characteristic of the benevolent climate (Simha & Cullen, 2012). Employees ultimately behave in a manner which develops from a culture of ethics stemming from within the organisation (Lloyd & Mey, 2010).

It has been found that ethical work climates influence employee outcomes such as employee commitment, job satisfaction and performance and thus organisational outcomes (Cullen *et al.*, 2003; Putranta & Kingshott, 2011; Simha & Cullen, 2012; Weeks, Loe, Chonko & Wakefield, 2004). In similar research, Erben and Güneşer (2008) hypothesised that a positive relationship exists between perceived organisational ethical climate and employee commitment. Their study found a moderate to strong relationship between these two variables. Research has shown that employees who are committed to their organisations identify with their organisations and thus commit to the joint goals and overall success of the organisation (Ramakau, 2006). In agreement, Masia and Pienaar (2011) note that employee commitment is shown to have a positive influence on compliance with organisational rules, regulations and policies.

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From the above literature review, it is believed that a theoretical relationship exists between perceived organisational ethical climate and employee commitment. The influencing strength of this relationship is where researchers are divided (Kang *et al.*, 2011; Manning *et al.*, 2004; Simha & Cullen, 2012).

### **2.5 CONCLUSION**

In this chapter, both perceived organisational ethical climate and employee commitment variables were explored. Definitions were provided and utilising theories and models, an understanding of the variables was unpacked. Furthermore, organisational ethical climate perspectives and employee commitment dimensions were presented. Victor and Allen's (1987) Ethical Climate Theory and Meyer and Allen's (2004) TCM of employee commitment were presented and integrated with the current study. From these theoretical insights it is evident that a relationship between perceived organisational ethical climate and employee commitment exists.

### **2.6 CHAPTER SUMMARY**

This chapter presented the literature review of the two variables applicable to this study. Perceived organisational ethical climate and employee commitment have been conceptualised through the provision of definitions, theories and models, and a discussion of the integration of both variables.

**CHAPTER 3: RESEARCH ARTICLE<sup>1</sup>**

**THE RELATIONSHIP BETWEEN PERCEIVED ORGANISATIONAL ETHICAL CLIMATE AND EMPLOYEE COMMITMENT IN THE AUSTRALIAN HOSPITALITY INDUSTRY**

**ABSTRACT**

**Orientation:** In an increasingly turbulent business environment where organisations' ethical climates are often neglected, employee commitment is believed to decline at various levels. This study investigates the resultant relationship between these variables at the individual level.

**Research purpose:** The objective of this study was to explore the relationship between perceived organisational ethical climate and the commitment of employees towards their organisation to determine whether employees' perceptions of the organisational ethical climate influences their commitment, as well as the associated implications.

**Motivation for the study:** Increased unethical behaviours are prevalent in many organisations across the world and as such there is a need for research on the relationship between perceived organisational ethical climate and employees' commitment towards their organisations, particularly across different industries. While most studies focus on employee commitment at all levels within the organisations, this study focused on employee commitment at the individual and local levels.

**Research design, approach and method:** A quantitative survey was conducted on an organisational sample of 86 participants at the individual and local organisational levels in a hospitality organisation in Australia. The measuring instruments utilised were the Ethical Climate Questionnaire (ECQ) and the Employee Commitment Survey (ECS). A positivist approach utilising, *inter alia*, factor and regression analysis was followed.

**Main findings:** The data revealed significant relationships between the perceived organisational ethical climate and employee commitment at the individual and local levels.

<sup>1</sup> *Note:* The guidelines provided by the *South African Journal of Industrial Psychology* have been applied as a general framework for this research article.



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**Practical/managerial implications:** The practiced ethical climate of an organisation has a significant relationship with employee commitment. Organisations concerned with retaining employees and improving overall organisational performance should ensure that ethical cultures and climates are well-embedded within the organisation.

**Contribution/value-add:** The study endorses the need for ethically-sound climates within organisations as this drives employees to be increasingly committed. Such commitment contributes to the overall success of the organisation.

**Key words:** Organisational Psychology; Values; Ethical Criteria; Interventions

### 3.1 INTRODUCTION

The following section outlines the key focus and background of the study. Literature research trends are highlighted and introduced as part of the basis of the study.

#### 3.1.1 Key focus of the study

Lloyd and Mey (2010) note that since the 1990s there have been reports of unethical actions and mismanagement by employees of organisations on a worldwide scale and on a daily basis. Such behaviours have caused increased interest in unethical behaviours and its sources by employees of organisations because of the consequences associated with such actions (Appelbaum *et al.*, 2005). In addition, Koh and Boo (2004) mention that many corporate failures and scandals have highlighted the urgent need for corporate governance, organisational ethics and their ethical climates to be incorporated into organisations and as such, increased pressure from all stakeholders, including employees, can no longer be ignored.

Perceived organisational ethical climate plays a major role in employees' overall commitment towards their organisations (Martin & Cullen, 2006; Valentine *et al.*, 2002). Yet, it is noted that there is limited research that clearly indicates the type of relationship that exists between perceived organisational ethical climate and employee commitment (Kang *et al.*, 2011; Manning *et al.*, 2004). The present study investigates this relationship, thereby contributing towards the understanding of how perceived organisational ethical climates could be utilised as a means of generating favourable outcomes for both organisations and employees through employees' increased commitment.

### 3.1.2 Background to the study

Holt (1993, p. 329) wisely noted: "Research shows that the climate of an organization influences an individual's contribution far more than the individual himself". Globally, organisations within the hospitality sector face this challenging reality, in particular the following challenges: Retaining employees, providing challenging jobs and fair compensation (Dittman, 1999; Walsh & Taylor, 2007). In order to achieve employee commitment within the hospitality industry, the intrinsic nature of the job is required to be challenging and provide sufficient growth, something which hospitality industries find difficult to provide (Aycan & Fikret-Pasa, 2003; Savicki, 1999; Walsh & Taylor, 2007). Similarly, Young and Corsun (2010) note that the hospitality industry is marked by high absenteeism and turnover and ongoing labour challenges. From the above, it is believed that these challenges have prevailed for many years.

Ottensbacher (2003) noted that the attitudes and behaviours of employees within hospitality industries have significant effects on the service provided to customers, thereby influencing these customers' perceptions. Researchers further noted that these organisations should seek ways in which they are able to manage employees' attitudes and behaviours in order to deliver a high quality service. In an environment where employees are part of the product (Mathe & Slevitch, 2013) and service is an almost instantaneous behaviour, organisations have very little control over testing the service delivered before it is actually provided to the client (Manning *et al.*, 2004).

Employees' levels of service and commitment are considered important to a hospitality organisation's economic success (Hennig-Thurau, 2004), particularly as hospitality industries dominate the global market (Berry, Shankar, Parish, Cadwallader & Dotzel, 2006). In a country such as the United States, the largest occupational composition lies within the hospitality industry (Cho & Johanson, 2008). The hospitality industry is one of Australia's largest employment sectors with approximately 640 000 people reported to have been employed in 2012 with predictions being made that this sector is expected to grow year on year (Hurley & Crowe, 2013). With such a large portion of the population involved in hospitality activities across the globe, it seems fitting to further research such a prominent industry.

In the light of recommendations to provide additional research on the relationship between perceived organisational ethical climate and employee commitment (Arora, Nuseir, Nusair & Arora,

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2012; Simha & Cullen, 2012) and knowing that organisations possess the ability to measure the degree to which the employees' perceptions of the organisational ethical climate as a whole supports the delivery of a quality service (Manning *et al.*, 2004), the main objective of the current study is to examine the relationship between these two variables for the purpose of providing insight as to how it can improve an organisation's success and bottom line. This seems fitting as most organisations require a healthy bottom line to continue operating (Sieberhagen, Rothmann & Pienaar, 2009).

### 3.1.3 Trends from the research literature

Since research conducted by Victor and Cullen (1987, 1988) on organisational ethical climate types, additional research has been undertaken in this field of psychology. These studies identified the nine perceived theoretical organisational climate types and the five perceived empirical organisational ethical climate types which have formed and continue to form the basis of organisational ethical climate research today (Martin & Cullen, 2006; Simha & Stanusch, 2013; Wang & Hsieh, 2012).

With the contributions of Becker (1960) on employee commitment and its corresponding side-bets, research within this field has been ongoing and has emphasised employee commitment as an outcome to various antecedents (Field & Buitendach, 2011; Lesabe & Nkosi, 2007; Meyer & Herscovitch, 2001). Findings of perceived organisational ethical climate types on employee commitment show that positive perceptions of organisational ethical climate have positive outcomes, and negative perceptions of organisational ethical climate have negative outcomes for employees and organisations (Cullen *et al.*, 2003; Elci & Alpan, 2009; Koh & Boo, 2004; Weeks *et al.*, 2006).

### 3.1.4 Research purpose and objectives

Despite findings of the relationship between perceived organisational ethical climate and employee commitment, Elci and Alpan (2009) and Kim *et al.* (2009) question whether current ethical frameworks and typologies developed in Western cultures in fact exist in other cultures and whether the topic of employee perceptions towards organisational ethics and employee commitment is a universal one. Kang *et al.* (2011) state that the current research does not clearly indicate the type of relationship between perceived organisational ethical climate and employee commitment. Wang and Hsieh (2012) are in agreement with this but further note that research on this topic has

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increased in popularity in recent years. They further note that no study has simultaneously researched individual-level and organisational-level relationships on employee behaviours such as commitment. As this relationship is important to organisational success, it is a subject which requires additional attention and suggestions of extending research to include mediating or moderating variables such as age and gender, as well as an additional dependent variable of turnover intentions (Elci & Alpan, 2009; Leung, 2008).

It is noted by some researchers that industry-specific research relating to the hospitality sector does not have sufficient data associated with the relationship between perceived organisational ethical climate and employee commitment (Chathoth, Mak, Jauhari & Manaktola, 2007; Manning *et al.*, 2004; Stalcup & Pearson, 2001). With respect to these inconsistencies and gaps in research, the following research questions and objectives are posed to assist in further understanding the relationship between perceived organisational ethical climate and employee commitment.

The specific literature research questions are:

Research question 1: How is perceived organisational ethical climate and employee commitment conceptualised in literature?

Research question 2: What is the theoretical relationship between the perceived organisational ethical climate and employee commitment?

The specific empirical research questions are:

Research question 1: What is the nature of the empirical relationship between perceived organisational ethical climate and employee commitment as manifested within a sample of respondents in a medium-sized, Australian organisation?

Research question 2: Are there significant perceptual differences between the variables under study with regards to socio-demographic, situational and person-situational factors?

The specific aims of the literature review are: (1) to determine how the relationship between perceived organisational ethical climate and employee commitment is conceptualised in literature;

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and (2) to determine the theoretical implications of the relationship between perceived organisational ethical climate and employee commitment.

The specific empirical aims of the study are (1) to determine the empirical relationship between perceived organisational ethical climate and employee commitment within a sample of respondents from a medium-sized, Australian organisation; and (2) to determine whether subgroups differ significantly in their perceptions of the organisational ethical climate and displayed employee commitment.

In the light of the above, the general objective of the study is to examine the relationship between perceived organisational ethical climate and employee commitment for the purpose of confirming existing research and providing recommendations for future research.

### **3.1.5 The potential value-add of the study**

Despite the marked interest by researchers in the relationship between perceived organisational ethical climate and employee commitment in recent years (Arora *et al.*, 2012; Huang, You & Tsai, 2012; Kang *et al.*, 2011), there seems to be a need for additional research within particular industries as organisations in different industries seem to face similar, yet not the same, challenges. The study aims to generate new knowledge applicable to the hospitality industry, as well as confirm existing research which can assist researchers in generalising results and developing interventions to improve employee-employer relationships.

### **3.1.6 What will follow**

The remainder of this chapter will focus on a literature review to address the literature questions and objectives stated. The chapter will continue with the research design, research approach and research method undertaken as well as detailed results and analyses. It is followed by a discussion of results, conclusions and recommendations. Limitations and implications for future research which will address the empirical questions and objectives of the study.

### 3.1.7 Literature review

The following section discusses the literature on perceived organisational ethical climate types and employee commitment, defining and outlining the various constructs of each variable. These discussions address the literature objectives, namely to (1) determine how the relationship between perceived organisational ethical climate and employee commitment is conceptualised in literature; and (2) to determine the theoretical implications of the relationship between perceived organisational ethical climate and employee commitment.

In an industry where competition is fierce (Ottenbacher, 2007) and on the increase (Lee & Ok, 2013), hospitality industry organisations offer quality service and products to gain a competitive advantage over their rivals (Chacko, 1998; Riordan, Vandenberg & Richardson, 2005). The influence of employee behaviours on organisations is very important within hospitality industry organisations, as the individual employee represents the face of the organisation and forms the interface between the organisation and the customer, thereby providing employees with great responsibility for the quality delivered to various clients (Manning *et al.*, 2004), as well as retaining these clients (Cho & Johanson, 2008; Stamper & Van Dyne, 2003). Employee commitment is an important factor within the hospitality industry as organisations are viewed as ambiguous, complex and paradoxical and require employees' commitment for it to be successful (Arora *et al.*, 2012).

#### 3.1.7.1 Perceived organisational ethical climate

Victor and Cullen's (1988) Ethical Climate Theory is generally accepted within ethical climate research and has been utilised with success in understanding ethical climates within various organisations and different countries (Babin, Boles & Robin, 2000; Kim & Miller, 2008; Mulki *et al.*, 2008; Parboteeah, Chen, Lin, Chen, Lee & Chung, 2010; Ruppel & Harrington, 2000; VanSandt, Shepard & Zappe 2006). This theory conceptualises nine perceived theoretical, organisational ethical climate types namely: Self-interest, friendship, personal morality, company profit, team interest, rules and procedures, efficiency, social responsibility and laws and codes. These perceived theoretical, organisational ethical climate types can occur at three differing levels, namely: The individual level, the local level and the cosmopolitan level, within organisations (Victor & Cullen, 1988). Empirically only five perceived organisational ethical climates have been found to exist. These include instrumental, caring, independence, rules, and laws and codes (Victor & Cullen, 1988). The empirical organisational ethical climate types are depicted in Table 5.

Table 5

*Empirical Organisational Ethical Climate Types***LOCI OF ANALYSIS**

<b>ETHICAL CRITERIA</b>	<b>Individual</b>	<b>Local</b>	<b>Cosmopolitan</b>
<b>Egoism</b>	Instrumental	Instrumental	
<b>Benevolence</b>	Caring	Caring	
<b>Principled</b>	Independence	Rules	Laws and Codes

*Note.* From "The Organizational Bases of Ethical Work Climates", by B. Victor & J. B. Cullen, 1988, *Administrative Science Quarterly*, 33(1), p. 104. Reprinted with permission.

Perceived organisational ethical climates are responsible for shaping employee commitment which influences intra-organisational relationships, thereby contributing to a large portion of the organisation's outcomes and success (Elci & Alpan, 2009). Unethical acts such as embezzlement, fraud, workplace bullying and insider trading by employees can be traced back to the influence of the organisational ethical work climate (Arnaud, 2010).

Jones and James (1979) defined organisational ethical climate as a multidimensional construct represented by perceptions of employees within an organisation. Perceived organisational ethical climate was later defined by Victor and Cullen (1987) as shared perceptions of what is ethically correct and how issues should be dealt with in organisations. Shacklock, Manning and Hort (2011) note that although research on perceived organisational ethical climate types is vast, the research outcomes provide differing results. Petersen (2002) reported that Victor and Cullen's (1987) hypothesised nine dimensional, perceived organisational ethical climates did not satisfy his goodness of fit criteria used in his analysis.

Similarly, Tseng and Fan (2011) attempted to find nine perceived theoretical climates within their research and managed to find only three to support their data. Despite outcomes contrasting to Victor and Cullen (1987, 1988), Manning (2010) defends Victor and Cullen's (1987, 1988) research by arguing that climate dimensions will vary between organisations in different industries and between organisations within the same industry. Certain types of organisations tend to attract

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particular ethical climate types and these types of organisations may depend on the type of industry in which they operate. Such examples include law firms or engineering organisations where there are strict rules and procedures which require adherence to and monitoring by independent bodies to ensure compliance (Martin & Cullen, 2006). An egoistic climate is one characterised by individual, self-interest (Martin & Cullen, 2006; Victor & Cullen, 1988). Brown (2011) associates the benevolent climate with concerns for the well-being of others, both within the employees' organisation and the community at large viewing it as more of a consequential philosophy, focussing on outcomes rather than intentions or attitudes. Whereas a principled climate is characterised by decisions based upon the laws, rules, codes and procedures of organisations (Victor & Cullen, 1988).

### *3.1.7.2 Employee commitment*

Employee commitment is defined as the relative strength of employees' identification with and involvement in their organisation (Mowday, Steers & Porter, 1979, p. 226). In other words the strength of the desire, the need and the obligation to remain employed within an organisation. Meyer and Allen (1991) view employee commitment as a multidimensional construct by identifying not only the differences between attitudinal and behavioural commitment, but adding that employee commitment is also a psychological state with three components manifesting as affective, continuance and normative commitment. Victor and Cullen (1988) include a fourth type of employee commitment, namely alienative commitment. These components are discussed below.

#### *Affective commitment*

According to Mowday *et al.* (1982) affective commitment is characterised by the emotional attachment of employees where there is a need to remain a member of an organisation and commit to certain levels of effort. Thus employees remain with their organisation because they want to or choose to (Meyer, Allen & Gellatly, 1990). Meyer and Allen (1991) later note that affective commitment refers to the involvement with and attachment employees have towards their organisations. This type of commitment is seen to have more profitable outcomes for organisations when compared to continuance, normative and alienative commitment (Buitendach & De Witte, 2005). Wolfson, Kraiger and Finkelstein (2011) believe that affective outcomes are more prominent in organisations where diverse individuals are accommodated in terms of their values being met and employees feeling as though they fit into the organisation.



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### *Continuance commitment*

Continuance commitment is based on costs associated with leaving the organisation, as evaluated by employees (Meyer & Allen, 1991). These costs include the investments already made with the organisation as well the lack of employment alternatives, implying a need to remain with their organisation (Allen & Meyer, 1990). Meyer and Herscovitch (2001), in agreement with Allen and Meyer (1990), believe that continuance commitment not only has costs associated with exiting the organisation, but also costs associated to the organisation for failing to provide relevant support to its employees. Buitendach and De Witte (2005) describe such commitment as the perceived costs which are associated with leaving the organisation.

### *Normative commitment*

Normative commitment encompasses employees' feelings of obligation to remain with the organisation as they feel that they have a responsibility to remain loyal because it is the morally correct thing to do and because they feel they have to (Allen & Meyer, 1990). Carmeli (2005) noted that employees' personal predispositions such as work ethics, positively influenced normative commitment and while affective commitment is seen to link employees to their organisations at an emotional level, it is believed that normative commitment reflects a need to remain committed due to a moral obligation. In this manner, employees feel a greater sense of obligation to remain with their organisation when it is perceived as being supportive of its employees (Meyer & Smith, 2000).

### *Alienative commitment*

Not often referred to in research, alienative commitment occurs when employees hold back in developing themselves at their current organisation and generally portray a negative attitude (Kamfer *et al.*, 1994). This is sometimes referred to as alienative involvement or alienation (Bothma & Roodt, 2012; Kamfer *et al.*, 1994). This type of involvement refers to withdrawal behaviours and a move away from social identity groups (Carmeli & Geffen, 2005). It is closely related to work performance and turnover intentions (Bothma & Roodt, 2012).

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### *Integration of perceived organisational ethical climate and employee commitment*

Employees spend a significant part of their lives at work while employers spend much effort and resources employing individuals, maintaining a loyal customer base and generating profits (Sieberhagen *et al.*, 2009). While this may seem like a simple relationship, from the literature, it is assumed that employers have an important task in ensuring that the perceived ethical climate exists within their organisations and that these organisations foster the most positive ethical climates in order to obtain the greatest levels of positive commitment from their employees.

While the nine perceived theoretical organisational ethical climates are equally unlikely to occur empirically, they have been theoretically found (Simha & Cullen, 2012). The manner in which an organisation was formed and continues to develop, is a significant predictor of perceptions of organisational ethical climates (Victor & Cullen, 1988). Perceived organisational ethical climate types have also been found to change during the course of an organisation's life cycle (Belak & Mulej, 2009). Earlier researchers investigated the effects of organisational ethical climates on employees' fit within the organisation. Their results showed that those employees whose perceived organisational ethical climate preferences matched the perceived ethical climate of the organisation were shown to be more likely to be committed to their organisations (Sims & Keon, 1997). This research was repeated in later years and verified these earlier studies (Ambrose *et al.*, 2008; Valentine *et al.*, 2002).

With limited alternatives and the potential loss of current investments in an organisation, employees feel the need to remain with their organisation (Rusbult & Farrell, 1983). It has been demonstrated that employee commitment increases over time as the number of investments increases and the likelihood of alternatives decreases (Rusbult & Farrell, 1983).

All three types of employee commitment attract certain consequences including turnover, attendance and performance (Meyer, Stanley, Herscovitch & Topolnytsky, 2002). No single consequence is solely related to a specific commitment type but rather all possible consequences may be the result of any form of employee commitment. Figure 3 below provides a graphical representation of the three types of commitment and their possible consequences.

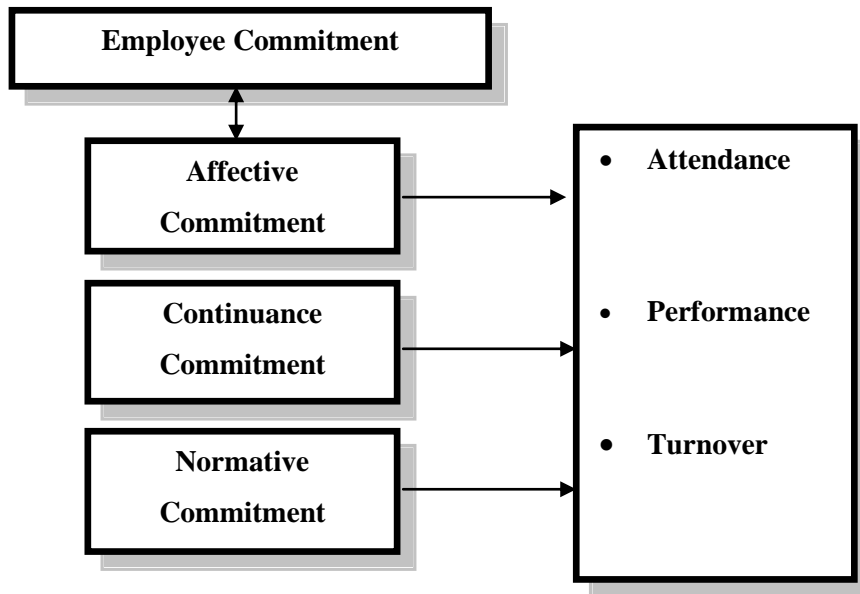


Figure 3. Three-component model of employee commitment. Adapted from "Affective, continuance, and normative commitment to the organization: A meta-analysis of antecedents, correlates, and consequences", by J. P. Meyer *et al.*, 2002, *Journal of Vocational Behavior*, 61(1), p. 22. Reprinted with permission.

Tsai and Huang (2008) show that organisations attempt to foster climates of benevolence and principle and prevent egoistic climates, where Kang *et al.* (2011) note that trust relationships and perceived organisational ethical climates are considered the most important factors required to be understood in order to explain and predict the type of commitment shown by employees. They further note that for employee commitment to even occur, organisations need to possess certain ethical policies and procedures where interpersonal relationships are nurtured. In addition, they warn that it is dangerous to assume that employees will continue to indefinitely display the same level of commitment throughout their employment and that a greater understanding of the various organisational contexts and employee relationships is necessitated to create positive perceptions of organisational ethical climates.

In summary, benevolent and principled climates which include caring, independence, rules, and laws and codes, tend to illicit positive outcomes for employee commitment and turnover, and egoistic climates namely instrumental, are associated with many negative outcomes, including decreased employee commitment and higher turnover.

From the preceding literature, the objectives of this study have been partially addressed. The first objective was to determine how the relationship between perceived organisational ethical climate

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and employee commitment is conceptualised in literature. Looking at previous research, this relationship exists and there is a level of agreement between researchers. The second objective was to determine the theoretical implications of the relationship between perceived organisational ethical climate and employee commitment. Negative implications are shown to include increased turnover, poor work performance and decreased attendance.

In the light of the preceding literature, the following hypothesis will be empirically tested:

- H1: There is a statistically significant relationship between perceived organisational ethical climate and employee commitment.
- H2: Differing socio-demographic, situational and person-situational variables will influence employees' perceptions of organisational ethical climates and commitment towards their organisation.

The remainder of the study provides an explanation of the research design, research approach and research method. Results of the study will be provided, followed by a detailed discussion. In the light of previous research, significant findings and interpretations of the results will be presented. Conclusions will be drawn, limitations identified and future recommendations provided.

### **3.2 RESEARCH DESIGN**

Research design refers to the planning and structure of a research project (Mouton & Marais, 1994). This section details the research approach and research method, describing the respondents, the measuring instruments, the research procedure and the accompanying statistical analyses.

#### **3.2.1 Research approach**

The research study utilised primary data and is exploratory in nature as it involves the testing of a number of hypotheses (Grove & Andreasen, 1982). A convenience sample was chosen for this research study as the total sample population was not very large. In order to achieve the aims of this research study, a quantitative research approach was utilised. This approach allows for concepts to be converted into operational definitions to assist in obtaining numerical results which are then interpreted (Fouche & De Vos, 2005). A quantitative approach allows for the measurement of the

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variables to be carried out in a systematic and controlled manner (Mouton & Marais, 1994). In addition, as such an approach follows a fixed procedure, it allows for such procedures to be replicated in the future.

Furthermore the research study was descriptive in nature, as the relationship between perceived organisational ethical climate and employee commitment was determined. Such an approach offers the benefit of providing an accurate description of the relationship (Christensen, 1997) and indicates the direction of the relationship (Mouton & Marais, 1994).

### **3.2.2 Research method**

The research method describes the research participants of the study, the measuring instruments, the research procedure and the statistical analyses. This explains how data was collected and utilised. The research method provides insight into the relationship between perceived organisational ethical climate and employee commitment.

#### *3.2.2.1 Research participants*

The total population comprised 126 casual, permanent and part-time employees employed within a hospitality organisation in Australia, servicing small to large corporate organisations. A total of 87 questionnaires were returned yielding a response rate of 69%. There was one questionnaire which was incomplete and was removed from the analysis. Thus a total of 86 questionnaires were utilised for analysis which yielded a useable response rate of 68%. This response rate was classified as very good when compared to literature guidelines provided. A 50% response rate is adequate, a 60% response rate is considered good, while a 70% response rate is considered very good (Babbie, 1998).

The sample consisted mostly of females with males representing less than a third of the sample population. Participants were requested to assign themselves to one of six age groups however, owing to the research sample size, the frequencies of some age groups were too small to be statistically useable, thus the last four age groups were grouped together as a 35-65+ age group category. The majority of participants were between the ages of 25 and 34, presenting a largely young workforce. The number of participants between the ages of 18 and 24 represented the smallest number of participants within the organisation. Participants were also requested to assign

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themselves to one of three tenure categories. The majority of participants had been with the organisation for 2 years or less (76%), while no participants of the research sample had tenure of more than nine years. Table 6 provides descriptive statistics of the profile of the respondents in respect to gender, age and tenure.

Table 6

*Frequency Distribution - Gender, Age and Tenure*

<b>Gender</b>	<b>Frequency</b>	<b>Percent (%)</b>
Male	21	24
Female	65	76
<b>Total</b>	<b>86</b>	<b>100</b>

<b>Age Group</b>	<b>Frequency</b>	<b>Percent (%)</b>
18-24	24	28
25-34	33	38
35-65+	29	34
<b>Total</b>	<b>86</b>	<b>100</b>

<b>Tenure</b>	<b>Frequency</b>	<b>Percent (%)</b>
0-2 years	65	76
3-5 years	15	17
6-9 years	6	7
<b>Total</b>	<b>86</b>	<b>100</b>

From the above it is evident that the majority of the organisation consisted of young, female employees who have had a tenure of less than two years with the organisation.

### *3.2.2.2 Measuring instruments*

The Ethical Climate Questionnaire (ECQ) (Victor & Cullen, 1988) and the Three-Component Model employee commitment Survey (ECS) (Meyer & Allen, 2004) were utilised for the purposes of the study. The ECQ was originally developed to determine respondents' perceptions of how employees make decisions within their organisation (Victor & Cullen, 1987). Previous research suggested strong support for the validity and reliability of the questionnaire (Cullen *et al.*, 1993) and as such, this questionnaire continues to be utilised in research today (Wang & Hsieh, 2013). Evidence regarding the reliability and validity of the ECS shows the high regard which this instrument possesses (Allen & Meyer, 1996, 2000).

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The ECQ, which consists of 26 items, was utilised in its entirety however, only the 12 items relative at the individual and local organisational ethical climates were utilised for the research study as its focus was at the individual level. The ECS consisted of 18 items and all 18 response items were utilised for research purposes, with some responses pre-identified as reverse-keyed and the scoring thereof ranging from Low (5) to High (1). Participants responded to the items via a five-point Likert Scale of Strongly Agree (5), Agree (4), Neutral (3), Disagree (2) and Strongly Disagree (1) for both measuring instruments. Scores on response items for the ECQ correlated to one of three perceived organisational ethical climates (sub-scales) namely instrumental, caring, independence and rules and one of three employee commitment types, namely affective commitment (AC), normative commitment (NC) or continuance commitment (CC) for scores on response items for the ECS. Scores on the response items of the ECQ were used to compute five scores per survey, each ranging in value from one to five with higher scores indicating the strongest perceived organisational ethical climate. The items on this questionnaire scored relatively high ( $M = 3.53$ ,  $SD = 0.40$ ). Scores on each of the sub-scales of the ECS were averaged, producing three scores for each survey. Each score ranged in value from one to five with higher scores indicating stronger employee commitment. The internal consistency of the three subscales is as follows: Affective commitment (0.779), continuance commitment (0.720) and normative commitment (0.793). The items in this questionnaire scored relatively high ( $M = 3.35$ ,  $SD = 0.49$ ).

### *3.2.2.3 Research procedure*

Permission to partake in this research was granted by the Managing Director of the participating organisation after the purpose had been explained, as well as how the results would be utilised. It was motivated that with information about employees' perceptions of the organisation's ethical climate and the type of commitment shown by employees, the organisation would be able to improve policies, processes, behaviours and cultures in order to mobilise a productive and committed workforce. The employees were then advised of the research purpose, the process of distributing the questionnaires, computing responses and obtaining and reporting of the results to the organisation. Employees of the organisation were then notified of the intention to distribute surveys. This communication was done via meetings held as well as via e-mail notification.

E-mails with the attached survey were then sent to all employees owing to the geographical location of most employees in and around the Perth area. Participation was voluntary and employees were requested to either complete the survey online and return it via e-mail, or print it out and manually

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complete the survey and return it by post. Within the body of the received e-mail, all employees were reminded that the process maintained full anonymity and confidentiality. It further reiterated the purpose of the study which was for research and improved organisational outcomes. Employees had three calendar weeks to complete the survey. Once collated, the items of each questionnaire were then scored.

### *3.2.2.4 Statistical analyses*

The study made use of SPSS (2011) to analyse data. Cronbach's Alpha coefficient was used to determine the internal consistency of the two questionnaires and the subscales of the commitment questionnaire. The relationships between the variables as well as the demographics of the participants were explored utilising correlation coefficients. Standard multiple regression analyses were conducted to further explore whether perceived organisational ethical climate variables significantly explained or predicted employee commitment. The *F* test was used to determine whether there was a significant regression between the two variables.  $R^2$  values greater than 0.130 were regarded as practically significant (Cohen, 1992).

Descriptive statistics were utilised to describe the research sample with regards to age, gender and tenure. Pearson's product-moment correlation was used to determine the direction and strength of the relationships between the variables. Significance levels were set at 95% confidence interval levels ( $p \leq .05$ ). For the purposes of this study, values equal to or larger than  $r = .500$  were regarded as practically significant (Cohen, 1992). One-way analysis of variance (ANOVA) and *t*-tests were conducted to investigate differences in employees' (age, gender and tenure) perceptions of organisational ethical climate and the type of commitment shown.

## **3.3 RESULTS**

This section presents the descriptive statistics, analysis of data and the interpretation of the results of the study. Descriptive statistics include the mean, the standard deviation and Cronbach's Alpha coefficient of both questionnaires (ECQ and ECS). Analysis of data includes ANOVA, multiple regression, correlation and tests of significance.



### 3.3.1 Descriptive statistics

Descriptive statistics are reported in order to describe the sample. These included means, standard deviations, reliability coefficients and skewness. Through these methods it was possible to report on the manner in which participants responded to the items on the questionnaires (Hinton, 1995).

#### 3.3.1.1 Internal consistency of variables

The mean, standard deviation and Cronbach's Alpha coefficient for each variable (perceived organisational ethical climate and employee commitment) are depicted in Table 7. The mean and standard deviations for both variables are similar to those reported in literature with Cronbach's Alpha coefficients representing a high internal reliability for each.

Table 7

*Means, Standard Deviations and Cronbach Alpha Coefficients*

Variable	Mean ( <i>M</i> )	Std. Deviation ( <i>SD</i> )	Cronbach Alpha ( $\alpha$ )
Perceived Organisational Ethical Climate	3.53	0.40	.836
Employee Commitment	3.35	0.46	.812

#### 3.3.1.2 Internal consistency of subscales

The mean, standard deviation and Cronbach's Alpha coefficient for the three employee commitment subscales are depicted in Table 8. The respondents obtained average mean scores with affective commitment having the highest score ( $M = 3.64$ ,  $SD = 0.67$ ). Normative commitment obtained the second highest mean score ( $M = 3.51$ ,  $SD = 0.71$ ), while continuance commitment revealed the lowest mean score ( $M = 2.91$ ,  $SD = 0.65$ ) of the three subscales. The reported Cronbach Alpha coefficient for each commitment subscale ranged between .715 and .800. Nunnally and Bernstein (1994) suggested a Cronbach Alpha coefficient of .700 is considered an acceptable level of internal consistency. The results below, relevant to the study, confirm that these scales were reliable.

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Table 8

*Means, Standard Deviations and Cronbach Alpha Coefficients of Employee Commitment Subscales*

<b>Employee Commitment Subscale</b>	<b>Mean (M)</b>	<b>Std. Deviation (SD)</b>	<b>Cronbach Alpha (α)</b>
Affective Commitment	3.64	0.67	.787
Normative Commitment	3.51	0.71	.800
Continuance Commitment	2.91	0.65	.715

The mean, standard deviation and Cronbach Alpha coefficients for the five perceived organisational ethical climates are depicted in Table 9. The table depicts that participants obtained average mean scores, with the laws and codes climate having the highest score of 4.07 ( $SD = 0.54$ ). The rules climate reported a relatively high mean ( $M = 3.73$ ,  $SD = 0.62$ ), the caring climate reported a mean of 3.34 ( $SD = 0.72$ ), the instrumental climate reported a mean of 3.00 ( $SD = 0.66$ ), with the independence climate reporting the lowest mean ( $M = 2.81$ ,  $SD = 0.81$ ). Furthermore the perceived organisational ethical climates, as identified by a factor analysis, reported significant reliability coefficients for all climates ( $\alpha \geq .500$ ).

The overall perceived organisational ethical climate profile is depicted below. The rules climate was the most prevalent within this organisation. As this study was based on the perceptions of participants, the focus was at the individual and local levels.

Table 9

*Means, Standard Deviations and Cronbach Alpha Coefficients of Perceived Organisational Ethical Climates*

<b>Perceived Organisational Ethical Climates</b>	<b>N</b>	<b>Mean (M)</b>	<b>Std. Deviation (SD)</b>	<b>Cronbach Alpha (α)</b>
Rules	86	3.73	0.62	.822
Caring	86	3.34	0.72	.736
Laws and Codes	86	4.07	0.54	.683
Independence	86	2.81	0.82	.682
Instrumental	86	3.01	0.66	-.516

### 3.3.2 Inferential statistics

The next step in the analysis of the data involved multiple regression to determine whether the independent variable (perceived organisational ethical climate) had an effect on the dependent

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variable (employee commitment) (Erben & Güneşer, 2008). The analysis concluded by investigating correlation data and significant mean differences for purposes of achieving the two empirical aims.

### 3.3.2.1 Regression analysis

Table 10 shows that the perceived organisational ethical climate variable explained a significantly large effect ( $R^2 = 37\%$ ) of the percentage of variance in the employee commitment variable.

Table 10

*Standard Regression Analysis: Perceived Organisational Ethical Climate on Employee Commitment*

	Unstandardised Coefficients		Standardised Coefficients	T	Sig. (P)	F	R	R <sup>2</sup>
	B	Std. Error	Beta					
Constant	1.782	0.434		4.110	0.000	13.297	0.370**	0.137**
Perceived Organisational Ethical Climate	0.446	0.122	0.370	3.646	0.000			

\*\* Correlation is significant at the 0.05 level (2-tailed).

### 3.3.2.2 Correlations between perceived organisational ethical climate and employee commitment

A significant correlation between perceived organisational ethical climate and employee commitment exists with a correlation coefficient of  $r = .370$  where the correlation is significant at the 0.01 level. The relationship is positive where an increase in one variable (perceived organisational ethical climate) is linked to an increase in the other variable (employee commitment).

In Table 11, correlations between the five perceived organisational ethical climates and the three employee commitment types are depicted. Normative commitment has a significant correlation with laws and codes ( $r = .354$ ), caring climate ( $r = .301$ ), and rules climate ( $r = .247$ ). Furthermore affective commitment correlated significantly with the laws and codes climate ( $r = .316$ ) and

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caring climate ( $r = .276$ ). Lastly, continuance commitment correlated significantly with only the rules climate ( $r = .237$ ).

Table 11

*Correlation between Perceived Organisational Ethical Climates and Employee Commitment Subscales*

Perceived Organisational Ethical Climate		Affective Commitment	Continuance Commitment	Normative Commitment
Instrumental	Pearson Correlation	-0.204	0.040	-0.050
	Sig. (2-tailed)	0.059	0.714	0.650
	N	86	86	86
Caring	Pearson Correlation	0.276*	0.158	0.301**
	Sig. (2-tailed)	0.010	0.147	0.005
	N	86	86	86
Laws and Codes	Pearson Correlation	0.316**	0.022	0.354**
	Sig. (2-tailed)	0.003	0.838	0.001
	N	86	86	86
Independence	Pearson Correlation	0.088	0.173	-0.017
	Sig. (2-tailed)	0.423	0.112	0.876
	N	86	86	86
Rules	Pearson Correlation	0.091	0.237*	0.247*
	Sig. (2-tailed)	0.404	0.028	0.022
	N	86	86	86

\*\* Correlation is significant at the 0.01 level (2-tailed).

\* Correlation is significant at the 0.05 level (2-tailed).

Measured with Spearman's coefficient, participant demographic variables yielded no significant correlations with perceived organisational ethical climate types. Respondents' age and tenure

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correlated significantly with affective and continuance commitment, whereas gender significantly correlated with continuance commitment.

### *3.3.2.3 Hypotheses revisited*

With the analyses completed it is possible to revisit the hypotheses, namely:

H1: There is a statistically significant relationship between perceived organisational ethical climate and employee commitment.

H2: Differing socio-demographic, situational and person-situational variables will influence employees' perception of organisational ethical climates and commitment towards their organisation.

Based on the statistical results of this study, H1 is not rejected. H2 is rejected as the significance levels between the socio-demographic, situational and person-situational variables are not relevant however, there are reported differences in this study.

## **3.4 DISCUSSION**

This section summarises the results of the study in relation to the aims and provides explanations for the results. Conclusions and implications for practice are addressed as well as possible limitations of the study.

### **3.4.1 Interpretation**

The main objective of the current study was to investigate the relationship between perceived organisational ethical climate and employee commitment. The results of the study reported a strong, positive relationship between the two variables ( $r = .370$ ). The findings of this study support hypothesis 1 which stated that there is a relationship between perceived organisational ethical climate and employee commitment.

In the interpretation of the results of the study it is noted that the sample size was relatively small with a total of  $N = 86$  respondents, yielding a response rate of 68%. This response rate is considered

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representative within this organisation (Babbie, 1998) and the results of the study may be generalised as being representative of the total population within this organisation in the hospitality sector.

### 3.4.2 Perceived organisational ethical climate profile

Overall the results were indicative of a dominant laws and codes ethical climate ( $M = 4.07$ ,  $SD = 0.54$ ) and a rules climate ( $M = 3.73$ ,  $SD = 0.62$ ) however, as the study's focus was on the perceptions of the employees, it implies results from only the individual and local levels, thus the dominant climate within this study was the rules climate. While the principled climate was prevalent within this study (rules), the benevolent climate (caring) scored relatively high as well.

Simha and Cullen (2012) note that in organisations where decision-making is based on regulations and rules, such organisations tend to operate with ethical climates characterised by principles (rules and laws and codes climate). They further note that this finding may vary from one organisation to another. From the current research this theoretical finding corresponds with the current results. From their research, Simha and Cullen (2012) encourage organisations to foster benevolent (caring) and principled (independence and rules) climates as these are linked to many positive organisational and employee outcomes including employee commitment and reduced employee turnover, while preventing egoistic climates which are found to be linked to many negative organisational and employee outcomes.

### 3.4.3 Employee commitment profile

Overall, the results of this study were indicative of a dominant affective employee commitment profile ( $M = 3.64$ ,  $SD = 0.67$ ) with normative commitment ( $M = 3.51$ ,  $SD = 0.71$ ) strongly reported. It is clear that continuance commitment ( $M = 2.91$ ,  $SD = 0.65$ ) is the type of commitment least portrayed within this organisation.

As per the literature, affective commitment is seen as the positive and preferred ethical climate type in organisations as it fosters elements of emotional attachment to the organisation which in turn has meaning for employees (Allen & Meyer, 1990). Owing to this emotional identification or involvement, employees tend to remain with their organisation for a longer period of time as they would want to maintain this organisational relationship (Rashid *et al.*, 2003).

### **3.4.4 The relationship between perceived organisational ethical climate and employee commitment**

From the findings of this study, there is a statistically significant relationship between perceived organisational ethical climate and employee commitment ( $r = .370$ ). Based on the results of the correlations between the factors of perceived organisational ethical climate and subscales of employee commitment, H1 (there is a statistically significant relationship between perceived organisational ethical climate and employee commitment) was accepted. This result indicates that employees' perceptions are clearly linked to the type of commitment portrayed. Thus, the more positive employees' perceptions of the organisation are, the more committed employees are towards their organisations and their work.

### **3.4.5 Differences between socio-demographic, situational and person-situational groups**

This section provides a summary of the socio-demographic, situational and person-situational differences between respondents based on H2 (differing socio-demographic, situational and person-situational variables will influence employees' perception of organisational ethical climates and commitment towards their organisation). Perceived organisational ethical climates provide no significant correlation to these variables, however, affective and continuance commitment provides insight into the relationship with these variables.

#### *3.4.5.1 Gender*

Despite the majority of the organisation comprising female employees, there is no significant evidence to indicate that gender affects the perception of the organisational ethical climate ( $p = .133$ ), nor the amount of overall commitment shown by employees ( $p = .168$ ). However, gender in relation to continuance commitment yields a significant correlation of  $p = .333$ . In this study, male employees have a greater affective commitment ( $M = 3.85$ ,  $SD = 0.20$ ), while their female counterparts have a greater continuance ( $M = 3.02$ ,  $SD = 0.31$ ) and normative ( $M = 3.54$ ,  $SD = 0.09$ ) commitment.

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### 3.4.5.2 Age

The correlation coefficient of employees' age to perceived organisational ethical climate is low ( $p = .127$ ). Employees in the 35-65+ age bracket perceive the ethical climate in a favourable manner when compared to the remainder of the organisation. The age bracket 18-24 perceived the organisational ethical climate in the most unfavourable manner.

Age in relation to employee commitment yields an overall correlation coefficient of  $p = .063$ , indicating no significant relationship. From the study, however, older employees tend to display greater affective and normative commitment in comparison to younger employees (18-24) who display the greatest amount of continuance commitment. These findings are in agreement with recent studies conducted by Fu *et al.* (2011). Age in relation to affective commitment yielded a significant correlation of  $p = .284$  and continuance commitment of  $p = .270$ .

### 3.4.5.3 Tenure

The study reveals that respondents with a tenure of 0-2 years perceive the organisation's climate in the most ethical manner. The correlation coefficient between tenure and perceived ethical climate is  $p = -.105$ . Thus the relationship is inversely related and shows no significant differences. These findings are in agreement with findings by Pettit, Donohue and De Cieri (2004) and Du Buisson-Narsai (2005) who found no significant differences in employee commitment towards their organisations with respect to tenure.

Conclusions drawn from the tenure of employees in this study show that respondents who have been with the organisation for 6-9 years show the greatest amount of commitment, while those with 0-2 years tenure show the least amount of employee commitment. The results of those in tenure for 6-9 years may be partially skewed owing to the small number of participants within this group. The correlation coefficient between tenure and commitment reveals a small correlation of  $p = .167$ . Referring to the individual employee commitment types, the correlation coefficients reported between tenure and affective commitment are a significant  $p = .368$ , and  $p = -.228$  between tenure and continuance commitment. Tenure and normative commitment report only a small correlation of  $p = .190$ .



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Earlier researchers found age, gender and tenure to be linked to commitment (Mottaz, 1988; Steers, 1977) however, it was noted that these links were neither strong nor consistent (Meyer & Allen, 1991). Interestingly, findings by Becker and Billings (1993) and Mathieu and Zajac (1990) indicate that age and tenure are positively correlated to employee commitment. In addition, Clugston, Howell and Dorfman (2000) found cultural dimensions of individuals to be significant predictors of employee commitment. When compared to this study, both age and tenure were positively correlated to the individual commitment types, namely affective and continuance commitment, however overall the relationship is not significant.

Based on the results of the correlation between perceived organisational ethical climate and employee commitment, H2 (differing socio-demographic, situational and person-situational variables will influence employees' perception of organisational ethical climates and commitment towards their organisation) is rejected. This rejected hypothesis indicates that socio-demographic, situational and person-situational variables do not influence employees' perceptions of the organisational climate, nor their commitment shown. Despite this, there is a slight, positive relationship between age and tenure on commitment.

### **3.4.6 Conclusions and recommendations**

Overall, findings of this study confirm the findings of. There was a statistically significant relationship between perceived organisational ethical climate and employee commitment. An increase in the perceptions of organisational ethical climate resulted in increases in employee commitment. Furthermore, results have shown that individual differences have led to slight differences in responses. Despite correlations between these variables not being significant in this study, individual differences are useful and should not be disregarded.

Interestingly, Martin and Cullen (2006) note certain organisations operating within certain industries are prone to certain climates and that organisations characterised by high volatility and fierce competition, such as the hospitality industry, are likely to maintain an egoistic climate (Ottenbacher, 2007). This does not seem to be the case with the current study and additional research is recommended to assert these generalisations.

The findings of the current study confirmed not only the existence of a relationship between perceived organisational ethical climate and employee commitment, but also a statistically

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significant relationship with significant influences. The findings provided a useful framework for the design of perceived organisational ethical climate and employee commitment interventions. It is recommended that future research include specific industry-related research utilising larger population samples in order to obtain a larger scope of information and utilising those findings in comparative studies with other industries. In addition, future research should aim to provide more holistic designs of both perceived organisational ethical climates and employee commitment interventions. Detailed recommendations are discussed in Chapter 4.

### **3.4.7 Limitations**

As with many research studies, none remain without limitations. As such, the present study was limited to a relatively small population sample who are all employed at a single organisation within the Australian hospitality industry. The participants were part of a niche scope of service delivery organisations due to its unique nature and lack of similar service offerings within the industry. In addition, the small population sample can be generalised to the rest of the population. Detailed limitations are discussed in Chapter 4.

## **3.5 CHAPTER SUMMARY**

This chapter reported the findings of the empirical research of the relationship between perceived organisational ethical climate and employee commitment. The findings were integrated in a manner which reflected the key observations surrounding the relationship between the two variables of the study. Chapter 4 discusses the detailed conclusions and limitations of the current study and provides recommendations for future research and practice.

## CHAPTER 4

### CONCLUSIONS, LIMITATIONS AND RECOMMENDATIONS

Chapter 4 discusses conclusions drawn from the study with particular reference to the aims outlined in Chapter 1. It details the limitations of both the literature review and the empirical research and establishes recommendations for future studies. Lastly, a concluding integration of the overall study is presented.

#### 4.1 CONCLUSIONS

The following section focuses on the formulation of conclusions drawn from both the literature review and the empirical studies. Results of the study suggest that employees who perceive the organisational ethical climate in a positive manner are more likely to be committed to the organisation and less likely to engage in unethical behaviours. Both the literature review and the current empirical research have provided support for literature and empirical aims and these are discussed below.

##### 4.1.1 Conclusions in respect of the literature review

As noted in Chapter 2, there is significant literature on the relationship between perceived organisational ethical climate and employee commitment. From the research it is further noted that the role of employee demographics does not provide sufficient generalisable outcomes for literature however, the implications of the relationship between perceived organisational ethical climate and employee commitment are clear and provide affirmation of existing knowledge. Conclusions drawn in this section were relative to the two literature aims stated in Chapter 1 and are discussed individually.

*Aim 1: To determine how the relationship between perceived organisational ethical climate and employee commitment are conceptualised in literature.*

The first literature aim was realised in Chapter 2 where the two variables were discussed in detail. Theoretically, perceived organisational ethical climates occur at three levels namely: Individual, local and cosmopolitan and these result in nine perceived organisational ethical climate types

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namely: Self-interest, friendship, personal morality, company profit, team interest, rules and procedures, efficiency, social responsibility and laws and codes (Victor & Cullen, 1988). More than two of these theoretical, organisational ethical climates may co-exist in any one organisation (Leung, 2008).

Employee commitment is multi-dimensional in nature (Kamfer *et al.*, 1994) and comprises three dimensions. These include: Affective commitment, continuance commitment and normative commitment. These commitment types indicate employees' reasons to remain with their organisation namely, wanting to, having to, or simply needing to (Mowday *et al.*, 1982). These dimensions of commitment were based on Allen and Meyer's (1990) TCM of employee commitment which is widely utilised in theory.

In view of the comprehensive overview of the literature research, it is concluded that a positive relationship exists between perceived organisational ethical climate and employee commitment and that perceived organisational ethical climate is deemed one of the most important factors shaping employee behaviours. Continuance and normative organisational ethical climates are preferable to egoistic climates as these climates foster positive employee commitment. Egoistic climates portrayed negative or little employee commitment. Further conclusions drawn realised that the more positively the ethical climate of an organisation is perceived by employees, the greater the commitment displayed.

*Aim 2: Theoretically determine the implications of the relationship between perceived organisational ethical climate and employee commitment.*

The literature research conducted in Chapter 2 has contributed to literature aim 2 of this study being met. In organisational environments marred by unethical behaviours and acts by employees emanating from all levels within organisations, increases in absenteeism and turnover were evident and cause for concern for employers (Stewart *et al.*, 2011). From the literature it is concluded that positively perceived organisational ethical climates lead to positive business practices and successful outcomes, whereas negatively perceived organisational ethical climates lead to less successful business practices and organisational outcomes (Elci & Alpkan, 2009; Putranta & Kingshott, 2011; Simha & Cullen, 2012; Stewart *et al.*, 2011).

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It is further shown that employees who are committed to their organisations have improved attendance records, demonstrated a greater willingness to abide by company policies and procedures and reported lower absenteeism and turnover rates (Chowwen, 2013; Wagner, 2007). In addition, the literature study showed that a climate perceived as ethical by employees, promoted greater commitment of employees by working harder for their organisation, thereby assisting in achieving organisational goals and contributing to the overall success of the organisation (DeConinck, 2011; Simha & Cullen, 2012). The opposite was true for employees who are less committed (Stewart *et al*, 2011). As organisations attempt to foster greater commitment amongst their employees, this particular aim holds importance for research.

Although some literature research exists on demographic factors, there is insufficient research on these aspects to indicate significant influences on the relationship between perceived organisational ethical climate and employee commitment (Elci & Alpan, 2009). While earlier literature research noted that age, tenure and gender were positively linked to employee commitment (Becker & Billings, 1993; Mathieu & Zajac, 1990; Meyer & Allen, 1991; Mottaz, 1988; Steers, 1977), other literature believed that such links were neither strong nor consistent and thus had no influence on the relationship between perceived organisational ethical climate and employee commitment. In later years however, age and tenure were seen to be positively correlated to employee commitment (Martin & Cullen, 2006). When compared to this study, both age and tenure were positively correlated to the individual commitment types, namely affective and continuance commitment, however overall the relationship was not significant.

### **4.1.2 Conclusions in respect of the empirical study**

The empirical aims stated in Chapter 1 are revisited in this section and conclusions in respect of these are drawn. Overall, the research study found a significant relationship between perceived organisational ethical climate and employee commitment however, demographic differences revealed no influence on perceptions of organisational ethical climate nor employee commitment. Furthermore, perceptions of organisational ethical climate and employee commitment behaviours are understood in such a manner that appropriate recommendations can be made.

*Research aim 1: Determine the empirical relationship between perceived organisational ethical climate and employee commitment within a population sample of respondents from a medium-sized, Australian organisation.*

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The overall finding of the study indicated that there was a significant, empirical relationship between perceived organisational ethical climate and employee commitment ( $r = 0.370$ ). Due to the linear relationship between these two variables, an increase in perceived organisational ethical climate results in an increase in employee commitment. The conclusion drawn from these findings is that organisations possess numerous types of perceived ethical climates which in turn affects the commitment shown by employees. Multiple relationships existed between the different types of perceived organisational ethical climates and employee commitment and this was revealed in the correlations between the variables. It is evident that both affective and normative commitment are elicited from positive perceptions of organisational ethical climate. Negative perceptions of organisational ethical climate tend to foster less favourable egoistic climates (Putranta & Kingshott, 2011).

*Research aim 2: Empirically determine whether subgroups differ significantly in their perceptions of the organisational ethical climate and their displayed employee commitment.*

Results provide evidence that certain employee differences show no influence on the perceptions that employees have of the organisation's ethical climate and the commitment shown by them. The results of the research have allowed for conclusions to be drawn in relation to socio-demographic influences of age, gender and tenure. These are discussed below.

Results of the study indicate that no significant differences were found between the demographics of the respondents and their perceptions of organisational ethical climate, nor were significant differences found between demographics of respondents and employee commitment. Results, however, showed a significant correlation between age and tenure and affective and continuance commitment. These findings were in agreement with those of Martin and Cullen (2006). A significant correlation between gender and continuance commitment was established. Demographics made no significant difference to employee perceptions of organisational ethical climates and employee commitment.

Overall the results of the study have provided statistically significant evidence in support of the main hypothesis. Based on the above conclusions the following decisions on the hypotheses are established:

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Hypothesis 1: There is a statistically significant relationship between perceived organisational ethical climate and employee commitment: Accepted.

Hypothesis 2: Differing socio-demographic, situational and person-situational variables affect the relationship between perceived organisational ethical climate and employee commitment: Not accepted.

### **4.1.3 Contribution to Industrial and Organisational Psychology**

Findings from both the literature review and the empirical study confirmed existing knowledge and research for the discipline of Industrial and Organisational Psychology (IOP) as the linear, predictive value of perceived organisational ethical climate and employee commitment was shown. The empirical study is relevant to IOP as it investigated the aspects of organisational ethical climates as individual perceptions and how these perceptions related to organisational constructs of commitment. From the literature study, increased absenteeism and turnover were shown to be outcomes of negative perceived organisational ethical climate and employee commitment. From the above literature conclusions, researchers should consider the constructs of perceived organisational ethical climate and employee commitment from a variety of models and theories to expand on existing knowledge.

Conclusions drawn from the empirical study indicate that despite operating within the boundaries of the hospitality industry, the level of commitment portrayed by employees in this organisation was positive. The research showed a linear relationship between the two variables and if employee perceptions of organisations are positive, then positive behaviours and outcomes will be portrayed. Organisations should therefore focus their attentions on creating and correcting accurate employee perceptions of the organisation. Providing employees with the correct knowledge of the organisation and engaging with them regularly may assist in changing employee perceptions of the organisational ethical climate.

In addition, organisations are governed by best practice guidelines and legislation to properly manage and maintain ethical behaviours. This is relevant to all organisations as perceived non-adherence to these guidelines and laws is interpreted as unethical. Interestingly, the outcomes of this study revealed large number of employees identified with the organisation when it abided by rules and regulations. With the overall ethical climate of the organisation perceived as principled and

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benevolent, it is interesting for the discipline of IOP to note the link between what is perceived as occurring in the organisation and what is actually occurring.

### **4.2 LIMITATIONS OF THE STUDY**

Notwithstanding its contributions, this study holds several limitations. These limitations are outlined in the remainder of this section, followed by recommendations.

#### **4.2.1 Limitations of the literature review**

There is a large body of literature which encompasses perceived organisational ethical climates and employee commitment however, the availability of perceived organisational ethical climate research, which implies the employee at the individual level, requires additional research. Despite much literature referencing perceived organisational ethical climate as a component of the organisation's culture and employee commitment as a multi-dimensional construct, there are still discrepancies between the findings of researchers as to how much research has been conducted on this relationship.

#### **4.2.2 Limitations of the empirical study**

Research was conducted within a single organisation and the sample size ( $n = 86$ ) was relatively small, thus these findings should be utilised with caution when generalising to the population. In addition, only self-report measures were distributed which may affect the reliability and validity of the results as participants may have responded to items in such a manner which reflects more socially acceptable responses as opposed to their actual opinions. Self-report methods may cause discrepancies with common method variance (Neubaum, Mitchell & Schminke, 2005).

It is further noted that despite the existence of a relatively strong relationship between perceived organisational ethical climate and employee commitment in this study, antecedents of perceived organisational ethical climate such as direct managers, performance schemes, co-workers and job tasks, as well as the changing nature of the organisation and its external environment were not considered and may have an effect on the outcome of this research. Psychological factors of employees, such as emotional intelligence and achievement motivation, amongst others, were also not considered in this study and may alter current results.



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Despite these limitations, the study contributed to the empirical analysis of the relationship between perceived organisational ethical climate and employee commitment. It provided a brief overview of differences between certain demographical groups, which showed no significant relationship.

### **4.3 RECOMMENDATIONS**

Based on the results of the current research and the noted limitations, the recommendations for both perceived organisational ethical climate and employee commitment are provided. Recommendations are made in relation to the discipline IOP.

#### **4.3.1 Recommendations for perceived organisational ethical climates**

It is important for organisations to adhere to legislative regulations and abide by best practice guidelines. During the recruitment phase, candidates should be profiled to ensure individuals' morals and ethics either mirror or are similar to those of the organisation. Contributions to the manner in which the organisational ethical climate is perceived can be instilled in the culture and the individual from the very start of employment.

Organisations should consider training current employees on applicable legislation to ensure the perception of what is occurring within the organisation is in fact aligned with the law. Such training may provide a correlation to the perceived "rules" ethical climate of organisations. In this manner employees may deviate from the egoist climate and perceive a more principled climate, thereby improving their commitment. Although egoistic climates present in organisations are not seen to foster positive employee outcomes and benevolent and principled climates are preferred (Simha & Cullen, 2012), research should consider investigating the positive and negative effects of instrumental and egoistic climates as there may be organisations where these are in fact a positive organisational ethical climate.

Regular meetings should be held with employees in order to communicate the stance and business sense of the organisation. In so doing, employees may feel part of the organisation and a sense of transparency may be invoked in them. Such transparency may show an inclination towards the perceived "caring" ethical climate, thereby improving employee perceptions, commitment and ultimately absenteeism and turnover.

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Internal, anonymous surveys should be conducted regularly to gauge employee perceptions. Such perceptions may change over time and ongoing surveys could reveal changes and reasons thereof. These surveys should include a "comments" section or open-ended questions where specific issues may be addressed. Qualitative surveys, meetings, proper recruitment processes and applicable training, in conjunction with quantitative data may provide improved outcomes beneficial to both the organisation and employees.

### **4.3.2 Recommendations for employee commitment**

Regular performance feedback discussions should be held with employees to provide insight into their current level of commitment and investigate motivations. Once established, it is then possible to determine how employee commitment impacts on performance and the organisation as a whole. With this feedback, relevant strategies and improvements may be implemented accordingly.

Employee committees should be established with the aim of providing open communication channels between employees and management with efforts to provide recommendations and improve employee-management communication. Through these formal and informal channels employers may improve employee retention and employee morale. In this manner, a level of responsibility falls not only on the organisation but also on employees, and affective and normative employee commitment can be improved.

### **4.3.3 Recommendations in relation to IOP**

The current study reported on the predictive value of perceived organisational ethical climate on employee commitment thereby contributing to literature on positive psychology. This was achieved through insights into how perceived organisational ethical climate can influence employee commitment.

It is noted that despite the existence of a relationship between these two variables, the perceived ethical climate of an organisation is specific to its practice. Each organisation should be analysed with its specific circumstances at the forefront of obtained results. As such, the findings of this study can provide improved outcomes for all stakeholders through a better understanding of employees and organisations and the reasons for employee behaviours. If employers understand this

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relationship and its effects, they are capable of determining how they can benefit from this understanding. The results of this study can be utilised to develop intervention strategies for improvement. Such strategies may include improved organisational culture, improved leadership styles, work/life balance, reward schemes and improved communication for the purposes of the retention of satisfied employees, thereby reducing absenteeism and turnover.

### 4.3.4 Future research

It is recommended that future studies address the limitations of this study as it was restricted to a small research sample of employees in a single organisation, within a specific industry. In addition to Deshpande *et al.* (2011) recommendations that more research is required to determine the impact of perceived organisational ethical climates on Chinese organisations because of low retention rates of employees, further research is recommended by Kang *et al.* (2011) for the same reason. In partial agreement with this, Simha and Cullen (2012) have urged researchers to investigate the different dimensions of employee commitment across cultures in order to obtain an understanding of the multi-dimensional concepts developed across different cultures. Such findings may assist in determining the impact of globalisation and the movement of scarce skills.

Research on moderating or mediating variables such as age and tenure is recommended for future studies, as such factors may influence the relationship between perceived organisational ethical climate and employee commitment (Elci & Alpan, 2009). As the relationship between perceived organisational ethical climate and employee commitment is significant, moderating or mediating variables are viewed as having a noteworthy influence (Leung, 2008; Meyer & Allen, 1991).

Organisations operating within the hospitality sector are generalised as maintaining egoistic climates (Martin & Cullen, 2006) however, the results of the current study show that this organisation does not possess this quality. It is suggested that research within hospitality sectors of various countries is undertaken to broaden the scope of the results in order to make appropriate generalisations. As most research indicates that benevolent and principled climates are preferable to egoistic climates, Simha and Cullen (2012) urge researchers to take an in-depth look at the negative effects of benevolent and principled climates as there may be cases where egoistic climates are in fact preferable.

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Lastly, longitudinal studies with larger research samples are recommended to determine causal relationships between perceived organisational ethical climates and employee commitment. Such findings could provide more accurate data collected over a period of time, allowing results to be confidently generalisable.

### **4.4 INTEGRATION OF THE RESEARCH**

This study investigated the overall relationship between perceived organisational ethical climate and employee commitment. Results suggested that there is a significant relationship between the two variables. The research suggests that perceived organisational ethical climate had significant relationships with all three employee commitment types.

The two variables were theoretically evaluated in Chapter 2, while Chapter 3 provided a research article on the study and Chapter 4 reported on the results of the empirical investigations. As research plays an important role in understanding employees, this study may assist human resource practitioners, managers and wellness practitioners by considering employee behaviours and reasons thereof.

The effects of employees lacking commitment are shown in literature to have a direct influence on employee absenteeism and turnover. These are costly behaviours for organisations and requires additional research. While employee absenteeism and turnover did not empirically form part of this study, it is recommended that future studies include these aspects due to the large influence on organisational success.

Based on the results of this study, recommendations concerning practical implications for various stakeholders have been provided. This study contributed to gaining insight into the influential relationship between perceived organisational ethical climate and employee commitment.

### **4.5 CHAPTER SUMMARY**

This chapter focussed on the conclusions, limitations and recommendations of the study. Conclusions drawn from both the literature review and the results of the study were discussed in detail. The relevance of the study to IOP was shown with the limitations of the study noted. From these limitations, recommendations for future research and practice were provided. The chapter was

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concluded with an integration of the study which highlighted its results in support of the existence of a relationship between perceived organisational ethical climate and employee commitment.

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