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Linking ethical leadership and ethical climate to employees' ethical behavior: the moderating role of person–organization fit

Linking ethical leadership and ethical climate

Hussam Al Halbusi

Business Policy and Strategy, Universiti Malaya, Kuala Lumpur, Malaysia

Kent A. Williams

Faculty of Management, Dalhousie University, Halifax, Canada

Thurasamy Ramayah

Universiti Sains Malaysia, Penang, Malaysia;

Internet Innovation Research Center, Minjiang University, China and

Universiti Tunku Abdul Rahman (UTAR), Malaysia, and

Luigi Aldieri and Concetto Paolo Vinci

University of Salerno, Fisciano, Italy

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Abstract

Purpose – With the growing demand for ethical standards in the prevailing business environment, ethical leadership has been under increasingly more focus. Based on the social exchange theory and social learning theory, this study scrutinized the impact of ethical leadership on the presentation of ethical conduct by employees through the ethical climate. Notably, this study scrutinised the moderating function of the person-organisation fit (P-O fit) in relation of ethical climate and the ethical conduct of employees.

Design/methodology/approach – To evaluate the research hypotheses, two-wave data were collected from 295 individuals who are currently employed in various Iraqi organizations (i.e. manufacturing, medical and insurance industries).

Findings – In line with the hypotheses, the outcomes from a sample of 295 workers working in different Iraqi entities exhibited a positive relation between the ethical behaviour of leaders and the ethical conduct of employees in the ethical climate. Moreover, it was observed that the P-O fit of employees moderated the relationship between ethical climate and the ethical conduct of employees such that the relationship was more robust for those with a high P-O fit in comparison to those with a low P-O fit.

Research limitations/implications – The primary limitation of this study is in the data, which was obtained from a single source. Although the study conducted two surveys and utilised a mediation and moderation variables model that was less likely to be influenced by common method bias (CMB) (Podsakoff *et al.*, 2012), one cannot completely rule out CMB. Apart from the potential effects of the CMB, the consistency of the empirical findings could have also been compromised since self-reported data were utilised in measuring ethical behaviour, which can be a very complex and sensitive issue. For this reason, the social desirability response bias cannot be ruled out completely. When possible, future studies must gather data from multiple sources. Furthermore, supervisors must evaluate the ethical behaviour of employees. Another limitation was that the findings of this study were based on a sample in a Middle Eastern cultural context such as in Iraq. Perhaps, the particular cultural features of this context, which encompassed, among other things, a strong adherence to religious values (Moaddel, 2010), could have influenced the findings of this study. It is true that the effects of differences (P-O fit) are highly likely to replicate across cultural contexts (Triandis *et al.*, 1988). However, it can be seen that further studies are needed to evaluate the context-sensitivity of these findings (Whetten, 2009) by analysing other cultures, where the importance of religiosity is on the decline (i.e. in Western countries, Ribberink *et al.*, 2018) or where the cultural features are very much different from those that apply to Iraq. Lastly, other external factors were not taken into account by this study as it tried to explain ethical behaviour. Ethics is a highly complex subject and is influenced by numerous variables at the organisational, individual and external environment levels. Thus, caution must be observed when making inferences from the present study which, to a certain degree, offered a simplified version of ethical behaviour by



concentrating on a few variables such as the Arab culture's traditional ideology, which dominates even science (Abu Khalil, 1992). In addition, there are the political conflicts in the Middle Eastern cultural context such as what is happening in Iraq (Harff, 2018). Thus, it is important to include such aspects in future researches.

Practical implications – In terms of management, the findings send a clear signal to those in the upper echelon that, without ignoring the issue of ethics in organizations, employees are a critical aspect to be taken into account to encourage ethical behaviour at the workplace. This study has important practical implications. First, this study determined that ethical leadership (here, of the supervisors) positively influences the behaviour of subordinates (refers to the supervisors here); this in turn further improves the ethical behaviour of employees. It is vital that managers or supervisors are motivated to practice ethical leadership because they directly influence the employees. It has been suggested that top managers, especially chief executive officers, have the ability to shape the ethical climate, which also influences the ethical behaviour of employees further. This study offered several feasible ways that managers can apply to achieve that. In particular, top managers may utilise the ethical climate as a way of communicating the ethical values that they have to their subordinates, thereby serving as a motivation for the subordinates to adopt an ethical behaviour. It was also suggested by this study that ethical climate and the P–O fit may, to some degree, substitute each other as they influence the ethical behaviour of employees. Therefore, firms that were identified to have a low level of ethical standards, practices, and policies, at least from the employees' perspective, are better poised to conduct ethical issues in order to construct the ethical behaviour of their subordinates. More importantly, it is highly essential that the value congruence between an organization and its followers be considered.

Social implications – This study highlighted the notion of ethics and how it's essential for society. Ethics refer to the norms, standards, and values that direct the behavior of an individual. Ethical behaviour is vital in society because we need to be treated with respect as human beings.

Originality/value – This study responds to recent calls for more research to identify factors which may strengthen or mitigate the influence ethical behavior in the workplace such as ethical leadership, ethical climate and Person–Organization.

Keywords Ethical leadership, Ethical climate, Person–organization fit, Ethical behaviour, Social exchange theory, Social learning theory

Paper type Research paper

1. Introduction

Researchers, organizations, governments and practitioners have been under pressure due to incidents of ethical scandals in recent years (Manz *et al.*, 2008; Mehta, 2003; Brown and Treviño, 2014; Treviño *et al.*, 2014; Al Halbusi, *et al.*, 2017). Due to ethical issues and concerns in corporations such as the National Irish Bank and Enron, researchers and analysts across the world have observed that people with compromised ethical behaviour are likely to focus on and achieve their personal goals and desires at the cost of organisations or corporations (Padilla *et al.*, 2007; Schaubroeck *et al.*, 2007). As highlighted by Treviño and Brown (2004), ethical and unethical behaviour have existed but have been in existence since the beginning of human civilisation.

Practitioners and academicians have increasingly raised an important query linked with the role of ethical leadership (Brown and Treviño, 2006; Neubert *et al.*, 2009; Mayer *et al.*, 2009; Treviño *et al.*, 2014). Leaders are bound to exhibit a high level of ethical behaviour and have the highest moral standards when it comes to actions, behaviour and decision-making. This is necessary so that they can set an ideal example for their followers or team members to emulate (Ofori, 2009). In earlier studies on ethical leadership, the significance of considering the role of ethical leadership was apparently specified to analyse the ethical behaviour of employees (Brown *et al.*, 2005; Ofori, 2009; Newman *et al.*, 2015; Neves *et al.*, 2018; Al Halbusi *et al.*, 2019b).

It has been thoroughly highlighted in the literature that an organisation's ethical atmosphere or climate has a substantial impact on the ethical behaviour of its employees (Luria and Yagil, 2008; Deshpande and Joseph, 2009; Treviño *et al.*, 2014; Al Halbusi and Amir Hammad Hamid, 2018). There is considerable influence of the ethical climate of the organisation on the ethical behaviour of employees (Elçi and Alpkın, 2009; Engelbrecht *et al.*, 2017; Aryati *et al.*, 2018). Because subordinates perceive the existing ethical climate to impact organisational policies, procedures for decision-making and the payment system, they are likely to offer services and act well in the organisation when the ethical atmosphere in the organisation is strong (Weeks *et al.*, 2004; Lu and Lin, 2014; Demirtas and Akdogan, 2015; Al Halbusi and Tehseen, 2017).

In recent years, literature has broadly deliberated on the impact of ethical leadership and ethical climate in the workplace. In recent studies, [Lu and Lin \(2014\)](#), [Demirtas and Akdogan \(2015\)](#) and [Aryati et al. \(2018\)](#) studied the mediating role of ethical climate in the relationship between the ethical leadership and ethical behaviour of employees. However, despite studies on how the relationship between ethical leadership and ethical climate affects the ethical behaviour of employees, previous examinations have failed to take into account the condition or the boundary variables on this relationship. However, this study proposes that the person-organisation fit (P-O fit) has a vital moderating role on the relationship between the ethical climate and ethical behaviour of employees. This research has both theoretical and practical significance as it gives insights into what ethical leaders can actually do to affect the behaviour of employees. It also provides indicator of how organisations can put an emphasis on ethical climate. More importantly, it demonstrates the contingent role of P-O fit and how it contributes to the decision of employees to engage in ethical behaviour.

Furthermore, according to [Van Wyk \(1989\)](#) human resource management is the creation of an environment where people strive to do their best, where opportunities are equally distributed, where initiatives are encouraged and the conditions for success are created. However, management in the traditional paradigm is based on rules and regulations and the control of input and output. The new paradigm is based on shared leadership and a shared vision, honesty and transparency shaping (ethical climate) is very crucial for the employees inside the organization and for stakeholders. A deep awareness of the necessity for shared vision and transparency is the core of the new and future paradigm in education ([Brown et al., 2005](#); [Woodrow and Guest \(2014\)](#)). Moreover, value congruence is significant, as an implementation of the person-environment viewpoint in organisational settings ([Terborg, 1981](#)). P-O fit has usually been considered as the extent of congruence between employees and organisational norms, beliefs, values ([Chatman, 1989](#)) and goals ([Kristof-Brown et al., 2005](#)).

In essence, this study aimed to investigate the mediating role of ethical climate on the relationship between ethical leadership and the ethical behaviour of employees. Most importantly, this study examined the moderating P-O fit on the relationship between ethical climate and ethical behaviour of employees. Furthermore, no similar studies have been conducted on Middle Eastern cultures, such as the culture of Iraq. Often Iraqi organizations have a strong focus on profits, and it can be suggested they lack development in moral values, principles, and code of ethics ([Al Halbusi et al., 2019a](#)). After April 2003, the Iraqi economy collapsed due to the misconduct, mismanagement, corruption and misuse of power ([Khalil, 2016](#)). Organizations in bureaucratic state systems are perceived to be underdeveloped in many administrations, damaging Iraq's international trust in economic activities and developments. This prevailing perspective suggests that Iraqi organizations must take actions to enhance ethical standards, achieve high productivity, so as to be effective and efficient, and to increase competitive advantages in the world market. We discuss the major constructs of our theoretical model below, which may help to minimize these issues.

2. Theory

2.1 Theoretical framework

Two theories advocated by Brown and Treviño have framed our study. With respect to the understanding of ethical leadership and its consequences on the employees and the environment, [Brown and Treviño \(2006\)](#) have supported two theoretical frameworks, namely social learning theory (SLT) ([Bandura, 1986](#)) and social exchange theory (SET) ([Blau, 1964](#)). Social learning theory focuses on the antecedents and outcomes of ethical leadership and suggests that individuals learn the norms of appropriate conduct in two ways: through their own experience, and by observing others ([Bandura, 1986](#)). Generally, in learning such norms, individuals pay attention and consider reliable and role models ([Brown and Treviño, 2006](#)).

Ethical leaders are considered as role models or ethical leaders when they display integrity and high standards of ethical behavior in the workplace for themselves, as well, as for others (Brown *et al.*, 2005). Thus, employees are more probable to emulate and adopt the value-driven behaviors of their role model ethical leader (Brown and Treviño, 2006). Role modeling impacts ethical behavior through motivational and informational means (Bandura and Walters, 1977). Leaders who are role models inspire ethical behavior by establishing the type of activities they desire to encourage and reward. Leaders, also, assist as informational leaders for appropriate behaviors.

Furthermore, researchers have suggested that followers' behaviors can be formed through the social exchange theory (Blau, 1964). Social exchange theory proposes that the norms of reciprocity or perceived obligation prompt favors that undergird many social relationships (Blau, 1964; Gouldner, 1960). Based on the social exchange theory, when individuals perceived a leader and the organization's practices (ethical climate) as caring and concerned for their well-being, they felt more committed to reciprocity with positive behavior. In line with these arguments, this study argued that ethical leaders and the organization procedures cause feelings of trust and fairness in their followers, and at an established workplace where the subordinates will probably reciprocate with positive behavior (Brown and Treviño, 2006; Brown *et al.*, 2005). Hence, this study has used as a model for its research the social learning theory and social exchange theory.

2.2 Ethical leadership and ethical behaviour

As per Brown *et al.* (2005), ethical leadership can be described as “the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the advancement of such conduct to the followers through two-way communication, reinforcement, and decision making” (p. 120). Therefore, ethical leadership characterizes integrity, which involves being fair and trustworthy, having concern for others, and acting in an ethical manner (Treviño *et al.*, 2000; Mayer *et al.*, 2009; Ofori, 2009). Treviño *et al.* (2000) and Brown *et al.* (2005) stated that ethical leadership has two dimensions: (1) a moral personal factor, which includes integrity, fairness, concern for others and trustworthiness and (2) a moral manager factor, which includes role modelling ethical conduct, punishing, communicating and rewarding, and determining ethical standards. Mayer *et al.* (2009) and Lin *et al.* (2019) have therefore stated that the focus of a moral manager is more on transactional efforts that affect the ethical behaviour of employees.

Khuntia and Suar (2004) posit that motivating and empowering subordinates should be vital features of ethical leadership. According to Brown *et al.* (2005), the dimensions of ethical leadership include responding to communications, modelling behaviour, showing concern, treating employees fairly, listening to employees, and fostering trust. Furthermore, ethical leadership dimensions must also include power sharing, morality and role clarification (De Hoogh and Den Hartog, 2008).

Ethical leadership is a crucial element for ethical behaviour inside an organisation (Stead *et al.*, 1990; Mayer *et al.*, 2009). It has been previously indicated that leaders are a vital organisational element that has a significant effect on the ethical behaviour of employees (Stead *et al.*, 1990; Brown *et al.*, 2005; Treviño *et al.*, 2014; Meyer *et al.*, 2019; Presbitero and Teng-Calleja, 2019). Ethical managers possess positive personal attitudes and aim to influence their employees through the active management of ethical conduct. An ethical leadership displays regulated conduct in personal relationships within the organization that is directed towards strengthening and improving the ethical behaviour of employees. Socio-emotional exchange is a factor where ethical leaders can influence their subordinates (Mayer *et al.*, 2009; Lu and Lin, 2014; Dimitriou *et al.*, 2018). A socio-emotional exchange refers to a behaviour that builds fairness and trust between employees and leaders (Blau, 1964). When employees feel that that they are being treated fairly by their leaders, they will believe that

behaviour of their leaders is advantageous to the whole organisation. As a result, they will be less likely to act in an unethical manner (Mayer *et al.*, 2009; Treviño *et al.*, 2014).

It has been indicated by previous empirical studies that ethical leadership significantly influences the ethical behaviour of employees (Dickson *et al.*, 2001; Mayer *et al.*, 2009; Brown *et al.*, 2005; Ofori, 2009). It has been demonstrated by more recent empirical researches that ethical leaders have a vital part in affecting the ethical behaviour of employees through their day-to-day communication with their followers (Brown *et al.*, 2005; Ruiz-Palomino *et al.*, 2011; Lu and Lin, 2014; Neves *et al.*, 2018; Moore *et al.*, 2019). The behaviour of employees may change through the standards and guidance provided by their leaders. Thus, the research hypothesis was developed based on this argument.

H1. Ethical leadership has a positive effect on the ethical behaviour of employees.

2.3 Mediating effect of ethical climate

According to Victor and Cullen (1988), ethical climate can be defined as the “prevailing perceptions of typical organisational practices and procedures that have ethical content” (p. 101). Also, the ethical climate of an organisation includes the normative beliefs and values about the moral issues that the employees of that organization share (Treviño *et al.*, 1998 p. 453).

As previously stated, ethical leaders can have a strong influence on the ethical behaviour of employees. Furthermore, ethical leaders are vital components in the development of the ethical climate (Mayer *et al.*, 2009; Brown and Treviño, 2006). Empirical evidence has indicated that ethical leaders can vitally affect and develop an ethical climate (Dickson *et al.*, 2001; Schminke *et al.*, 2005; Mayer *et al.*, 2009; Kang, *et al.*, 2011). Leaders are able to set an organisation’s ethical standards through procedures, processes, and policies that help enable the employees’ perceptions of the ethical climate within the organisation (Mayer *et al.*, 2009; Demirtas *et al.*, 2015). Schminke *et al.* (2005) showed consistently in their empirical research that a leader’s morals combined with factors such as the regulations of the organization, orientation towards caring, orientation of the regulations, and independent judgments, are linked to the ethical climate in the organization. Therefore, it has been strongly suggested by some other studies that an ethical leadership has a vital influence on the ethical climate (Mayer *et al.*, 2009; Engelbrecht *et al.*, 2005; Lu and Lin, 2014). On the other hand, the ethical climate has received great attention in the literature as a factor with high potential to influence employees’ ethical behavior positively (Deshpande and Joseph, 2009; Lu and Lin, 2014). An ethical climate is associated with perceptions of trust, responsibility and high moral standards regarding perceived rightness or wrongness (Luria and Yagil, 2008). Furthermore, it enforces practices, policies and procedures with strong ethical content through which it signals that “doing the right thing” is highly expected, encouraged, and valued (Treviño *et al.*, 2014). Thus, the ethical leadership of immediate managers can shape ethical climate perceptions of direct reports, which in turn should make these employees to perceive procedures and practices that initiate and reinforce the development of ethical behavior in the workplace (Mayer *et al.*, 2009; Lu and Lin, 2014).

As asserted above, we suggested that the ethical climate is a key mechanism on the relation of ethical leadership behaviour and the ethical behaviour of employees. Justifications have been given for the utilisation of ethical climate as a mediator in the current study. Firstly, an organisation sets its ethical standards by formulating policies, practices, and processes that assist in the facilitation of employees’ perceptions of the ethical climate of the organisation. The perceptions that employees have of the ethical climate are affected by the practices and policies that the management emphasises, and the way in which the employees receive them. An ethical climate also signifies that ethical decisions are taken in terms of practices and procedures. Furthermore, it also gives consideration to “what is the right thing

to do" in terms of ethical norms, conducts regular communication with subordinates about ethics, and rewards or punishes employees based on ethical principles. Thus, the ethical climate standards explain to employees that maintaining ethics is a vital organizational outcome (Brown *et al.*, 2005; Mayer *et al.*, 2009). Secondly, ethical climate is seen to be related to perceptions of responsibility, trust, and high moral standards in terms of a perceived wrongness or rightness within the organisation (Luria and Yagil, 2008; Bell *et al.*, 2003). It has been demonstrated by previous studies that an unethical environment may lead to significant negative consequences in terms of employee behaviour within organizations (Jaramillo *et al.*, 2005). Specifically, it is expected for the ethical climate to enforce policies, practices, and processes that aim to uphold the ethical behaviour of employees. Thirdly, it values, encourages, and expects an ethical climate with processes, measures, and policies that tell employees that they are doing the right thing. As a result, employees are more inclined to perceive an ethical organisational environment (Mayer *et al.*, 2009). Moreover, an ethical climate that possesses clear practices, standards, and procedures shows followers how to be skilful in acknowledging ethical issues and helps them manage ethical issues. Furthermore, for subordinates receiving such signals, the ethical climate they perceive is clear and vital in the maintenance of high ethical standards without the added pressure of sacrificing ethical conduct just to achieve business objectives. In such circumstances, it is more likely for them to act with better behaviour.

It has been stated by numerous empirical researches that the leaders of an organisation influence an ethical work environment. For example, Schminke *et al.* (2005) investigated the relationship between the morals of the leaders and ethical climate of an organisation. Their findings reveal that the morals of a leader are related to the ethical climate of an organisation. Besides, a consistent relationship exists between ethical leaders and an ethical climate (Engelbrecht *et al.*, 2005). Furthermore, more recent empirical studies have revealed that ethical leadership positively influences the ethical climate (Neubert *et al.*, 2009; Lu and Lin, 2014; Demirtas *et al.*, 2015; Choi *et al.*, 2015). Essentially, when ethical leader's role-model appropriate behaviour, it helps them set standards for an ethical climate that values doing the right thing. Consequently, it will help employees perceive the policies and procedures of an organisation being of an ethical climate, which in turn is a motivation for them to display and act with better behaviour (Brown *et al.*, 2005; Mayer *et al.*, 2009; Lu and Lin, 2014). Thus, this study examined these relationships by recommending that an ethical climate is the primary mechanism between the ethical behaviour of employees and ethical leadership.

H2. An ethical climate is a mediator of the relationship between ethical leadership and the ethical behaviour of employees.

2.4 Moderating role of person–organization fit

Mixed findings have been obtained regarding the influences of an ethical climate on the employees' behaviour. For example, it was stated by Demirtas and Akdogan (2015) and Lu and Lin (2014) that an ethical climate positively affects the ethical behaviour of employees. Alternatively, it was demonstrated by several studies that there are inconsistent outcomes for the relationship between ethical climate and ethical behaviour among employees (Deshpande and Joseph, 2009; Duh *et al.*, 2010; Jahantigh *et al.*, 2016). These mixed findings indicate that ethical climate may have varying effects on the ethical behaviour of employees, based on the situation or context, such as the followers' characteristics (Yukl, 2010; Yun *et al.*, 2006). Therefore, this study suggested that the ethical climate can have varying effects based on the followers' characteristics, particularly the person-organisation fit (P-O fit) of the followers.

Person-organization (P-O) fit has been defined in various ways as value congruence, goal congruence, the match between employees' needs and reinforcers available in the work

environment, as well as the match between the personality of the individual and the characteristics of the organization (Chatman, 1991; McCulloch and Turban, 2007; Chatman, 1989) defined P-O fit as the congruence between the norms and values of organizations and the values of persons. This definition refers to a value-based congruence between employee and the organization. P-O fit can be defined as to how an individual's matches an organization's values, goals, and mission (Lauver and Kristof-Brown, 2001, p. 455). According to the literature, high P-O fit leads to more successful and competitive organizations and employees (Boxx *et al.*, 1991; Chatman, 1989, 1991; Meglino *et al.*, 1989; O'Reilly *et al.*, 1991). There are many positive effects of high congruence between person and organization both for employees and organizations. A greater degree of P-O fit has been shown to be related to multiple organizational outcomes including enhanced organizational commitment, increased productivity, and employees' ethical behaviour (Van Vianen, 2001; Ruiz-Palomino *et al.*, 2013). Since it is likely that the relationship between the ethical climate and ethical behaviour of employees will be generalizable across settings and non-zero (Kish-Gephart *et al.*, 2010), the strength of the association is projected to significantly shift as a function of the way in which one measures and conceptualises the ethical climate. Apart from this, in this study the aforementioned literature about the role of different types of value congruences was raised in this study (e.g. Liedtka, 1989; Valentine *et al.*, 2002; Elango *et al.*, 2010; Kristof-Brown *et al.*, 2005) to posit that the overall P-O fit significantly influences organisational outcomes.

As an implementation of the person-environment viewpoint in organisational settings (Terborg, 1981), P-O fit has usually been considered as the extent of congruence between employees and organisational norms, beliefs, values (Chatman, 1989), and goals (Kristof-Brown *et al.*, 2005). The importance associated with the extent of P-O fit is consistent with various theoretical frameworks, which include the theory of cognitive dissonance (Festinger, 1957). When implemented in the work environment, this theory states that the resulting dissonance would produce negative work and organisational results when employees perceive a meaningful inconsistency between their values and norms, and those of the organisation. On the other hand, a high degree of overall P-O fit can potentially satisfy human desires, needs, and preferences (Chatman, 1989; Kristof, 1996). It can therefore produce positive subjective experiences (Vilela *et al.*, 2008), which include positive behaviour (Verquer *et al.*, 2003; Kristof-Brown *et al.*, 2005; Ruiz-Palomino *et al.*, 2013).

More importantly, the P-O fit construct can also be applied to contexts where the fit has a narrower definition to refer to perceived ethicality differences between employees and the organisations they belong to. It has been previously noted that there is no proof that different kinds of value incongruences can influence the ethical behaviour of employees (Liedtka, 1989; Elango *et al.*, 2010). For instance, Liedtka (1989) reported that moral incongruence, which can be found either among the individual's values or among the values that are experienced within the organisation, negatively impact ethical decision-making. This agrees with the belief that perceived value differences between employees and the organisation can be seen on as a poor overall P-O fit, which translates into lower ethical behaviour. Analogously, it was discovered by Elango *et al.* (2010) that in the context of international business, ethical behaviour was observed to be highest in the subset of a sample both the individuals and their organizations have high scores on evaluations of ethics. Lastly, when seen from the perspective of a social learning theory (Bandura and Walters 1977), it is reasonable for one to assume that ethical climate practices and values (for example) have a good impact to the degree that the behaviours being shown coincide with the values of the employees. In general, ethical climate can have varying effects on the ethical behaviour of employees as a function of the apparent overall P-O fit. Thus, the following hypothesis was formulated with this as the basis (see Figure 1).

- H3. There will be a stronger relationship between an ethical climate and the ethical behaviour of employees for employees who possess a higher perceived P-O fit.

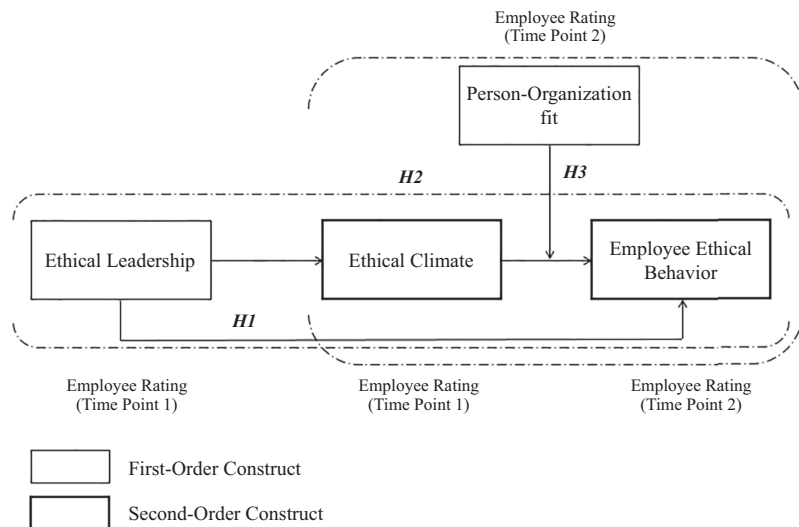


Figure 1.
Proposed research
framework

3. Research method

3.1 Sample and procedures

To evaluate the research hypotheses, two-waves data were collected from 295 individuals who are currently employed in various Iraqi organizations (i.e., manufacturing, medical, and insurance industries). Researchers chose this approach to collect data from various organizations for several reasons. First, this approach gives an advantage due to the large number of respondents compared to one or two organizations. Second, one clear advantage is that data collected from distinct sector is more reflective of the broader population than data collected in more restricted settings (one organization) (Zehir and Erdogan, 2011). Third, this allows the researcher examining topics of a sensitive nature (e.g., ethical behavior) to receive responses less inhibited by social desirability, which may influence the results (Al Halbusi *et al.*, 2019b).

Prior to conducting the survey, senior human resources were approached in each organization to ask permission for the study: once permission was granted, the survey was distributed. Survey packets containing the questionnaire, a prestamped envelope, and a cover letter were sent to 295 employees. The covering letter explained the purpose of the survey, assured the confidentiality of their responses, and requested that respondents return the completed survey directly using the prestamped envelope. The refusal rate was very low.

3.2 Measurement

All the item scales were adapted from previous studies. Since the respondents spoke Arabic, the questionnaire had to be precisely translated from English to Arabic. A back-translation was therefore conducted. This procedure has been extensively used to test a translation's precision within a cross-cultural survey (Brislin, 1980). First, the items were translated into Arabic and then two bilingual speakers compared the translation with its original English version to assess if any discrepancies in semantic equivalence occurred. If a difference were detected, a cycle of retranslation and evaluation was repeated until no further problems were detected by the two bilingual speakers. Finally, the agreement rate

of this process was high. Subsequently, in this study a pre-test and pilot test were performed to ensure the validity of the survey before the primary data collection stage (Memon *et al.*, 2017).

3.2.1 Ethical leadership. Brown *et al.* (2005) developed the ethical leadership scale (ELS) used in this study. The scale was made up of 10 items. The following is an example of an item: "My supervisor listens to what employees have to say". Respondents will respond through a 5-point Likert scale ranging from "1 = Strongly Disagree" to "5 = Strongly Agree".

3.2.2 Ethical climate. Victor and Cullen (1988) developed the ethical climate scale used in this survey. It is made up of 14 items that were all, also, utilised in this study. The following is an example of an item: "In my organization, it is expected that you will always do what is right for the customers and public". The response is given in the form of a 5-point Likert scale that ranges from "1 = Strongly Disagree" to "5 = Strongly Agree".

3.2.3 Person-organisation fit (P-O fit). Measurement of the P-O fit was done with a four-item scale. These items were taken from Cable and Judge 1996; Ruiz-Palomino *et al.*, 2013). The following is an example of an item: "I feel my values match or fit this organization's values". The response given is through a 5-point Likert scale that ranges from "1 = Strongly Disagree" to "5 = Strongly Agree".

3.2.4 Employees' ethical behaviour. Ethical behaviour pertains to the employees' perceived ethical behaviour within their organisations. Measurement of this variable was done using sixteen items adapted from previous studies (Ferrell *et al.*, 2000; Lu and Lin, 2014). Ethical behaviour has two dimensions, namely, normative ethical and juridical ethical behaviour. Since there was a relationship between the items under normative ethical behaviour and the activities, the factor was thus classified to be a normative ethical behaviour dimension. On the other hand, the juridical ethical behaviour dimension was made up of six items. Because these items can be considered professional ethical-related activities, the factor was thus classified as a juridical ethical behaviour dimension. Examples of an item include "I use company services appropriately and not for personal use". The response is in the form of a 5-point Likert scale ranging from "1 = Strongly Disagree" to "5 = Strongly Agree".

4. Minimization of common method variance

Common method variance (CMV) is a vital concern of any research, particularly if data is obtained from a common source or self-reported as in this study. Podsakoff *et al.* (2003, 2012) suggested some remedies that were used in this study for the minimisation of common method bias. For example, the collection of the independent and dependent variables was conducted at various times. To lessen the influence of common method variance (CMV) two surveys were administered 3 weeks apart. This survey also introduced a time lag to lessen consistency motifs. In the first wave, subordinates provided their demographic information, assessed their immediate supervisors' ethical leadership behaviours and rated their perception of the ethical climate as well. Subsequently, three weeks later in the second wave, the employees rated their PO fit and ethical behaviour. The respondents were also provided with descriptions for every construct, with precise directions on completing the assessment of the items in order to prevent any confusion. The respondents were given assurance of the study's academic nature as well as of the confidentiality of their identities. They were also reminded that there were no incorrect or correct answers in order to reduce evaluation apprehension. Both sets of surveys were coded to confirm that the responses could be matched later. 350 questionnaires were distributed in both waves. Out of these 350 surveys, only 295 were valid as a final set a total of 84% representing the response rate. Finally, only 295 matched subordinate responses were obtained across two-waves.

5. Data analysis and results

This study utilised structural equation modelling via the partial least squares (PLS) method. The research model was then analysed using the SmartPLS 3.2.6 software (Ringle *et al.*, 2015). This study utilised the two-stage analytical technique that Anderson and Gerbing (1988) and Hair *et al.* (2017) recommended. It begins with the measurement model assessment (constructs reliability and validity) and is followed by the structural model assessment (tests the hypothesised relationships).

5.1 Demographic profile of respondents

This section includes the respondents' demographic information, which was gathered using SPSS version 23. As revealed, 75.9% of the respondents were males, and 24.1% were females. In terms of age, the majority of the employees (43.4%) ranged from 31 to 40 years. With regard to their educational background, the highest percentage of 56.6% represented people who were bachelor's degree holders. In terms of job experience, 38.0% of the employees had been working for between 6-10 years. In terms of the type of organization, the highest score of 17.6% went to the insurance industry. The details are presented in Table 1.

5.2 Measurement model assessment

The measurement model was evaluated through construct validity (including discriminant and convergent validities) and construct reliability. In terms of construct reliability, the individual Cronbach's alpha values were tested to evaluate the reliability of core variables in the measurement model. Results indicated that all the individual Cronbach's alpha values, which ranged from (0.709–0.920), were more than the suggested 0.7 value (Nunnally and Bernstein, 1994; Hair *et al.*, 2017). Additionally, the composite reliability (CR) was used by this study to test the construct reliability, which also gave the suggested value. Therefore, the values obtained, which ranged from (0.869–0.930), were seen to be more than 0.7 (Hair *et al.*, 2017). This is an adequate signifier that the construct reliability was achieved, as demonstrated in Table 2. Therefore, the CR and Cronbach's alpha obtained for all the

Demographic item	Categories	Frequency	Percentage
Gender	Male	224	75.9
	Female	71	24.1
Age	Less than 25 Years	17	5.8
	25–30 Years	66	22.4
	31–40 Years	128	43.4
	41–50 Years	60	20.3
	More than 51 Years	24	8.1
Level of education	High School	46	14.9
	Diploma	47	15.9
	Bachelor's Degree	167	56.6
	Master's Degree	19	6.1
Job experience	Doctorate Degree	16	4.4
	2 Years or Less	17	5.8
	3–5 Years	60	20.3
	6–10 Years	112	38.0
	11–15 Years	31	10.5
Organization type	16 Years or More	75	25.4
	Manufacturing	99	25.4
	Medical organizations	103	38.0
	Insurance	93	23.6

Table 1.
Profile of respondents

First-order constructs	Second-order constructs	Items	Items descriptions	Loading (>0.5)	CA (>0.7)	CR (>0.7)	AVE (>0.5)
Ethical Leadership		EL1	My supervisor listens to what employees have to say	0.636	0.911	0.926	0.558
		EL2	My supervisor disciplines employees who violate ethical standards	0.640			
		EL3	My supervisor conducts his/her work in an ethical manner	0.754			
		EL4	My supervisor has the best interests of employees in mind	0.810			
		EL5	My supervisor makes fair decisions	0.735			
		EL6	My supervisor can be trusted	0.734			
		EL7	My supervisor discusses business ethics or values with employees	0.752			
		EL8	My supervisor sets an example of how to do things the right way in terms of ethics	0.811			
		EL9	My supervisor defines success not just by results but also the way that they are obtained	0.782			
		EL10	When making decisions, my supervisor asks, "what is the right thing to do?"	0.795			
Caring		EC1	What is best for everyone in my organization is the major consideration here	0.861	0.809	0.887	0.724
		EC2	In my organization, it is expected that you will always do what is right for the customers and public	0.851			
		EC3	In my organization, each person is expected above all to work efficiency	0.840			
Independence		EC4	In my organization, employees are expected to follow their own personal and moral beliefs	0.910	0.709	0.871	0.772
		EC5	In my organization, employees are guided by their own personal ethics	0.846			
		EC6	In my organization, employees are expected to follow their own personal and moral beliefs	Dropped			

Linking ethical leadership and ethical climate

Table 2. Measurement model, item loadings, construct reliability and convergent validity

(continued)

PR

First-order constructs	Second-order constructs	Items	Items descriptions	Loading (>0.5)	CA (>0.7)	CR (>0.7)	AVE (>0.5)		
Law and Code		EC7	In my organization, the law or ethical code of their profession is the major consideration	0.822	0.774	0.869	0.689		
		EC8	Employees are expected to comply with the law and professional standards over and above other considerations	0.863					
		EC9	In my organization, employees are expected to strictly follow legal or professional standards	0.804					
		EC10	It is very important to follow the organization's rules and procedures	0.828	0.771	0.857	0.749		
		EC11	Everyone is expected to stick by organization's rules and procedures	0.902					
		Instrumental		EC12	Employees are expected to do anything to further the organization's interests, regardless of the consequences	0.856	0.805	0.885	0.719
				EC13	In my organization, people protect their own interests above all else	0.852			
				EC14	Employees are expected to do anything to further the organization's interests, regardless of the consequences	0.835			
		Ethical Climate		Caring		0.881	0.872	0.897	0.881
				Independence		0.711			
				Law and Code		0.870			
				Rules		0.757			
				Instrumental		0.633			
Person organization fit				P-O Fit1	I feel my values match or fit this organization's values	0.883	0.826	0.883	0.749
				P-O Fit2	My organization's objective reflects your own objectives	0.749			
				P-O Fit1 3	The personality of this organization reflects your own personality	0.558			
		P-O Fit1 4	My organization's values and culture provide a good fit with the things that you value in life	Dropped					

Table 2.

(continued)

First-order constructs	Second-order constructs	Items	Items descriptions	Loading (>0.5)	CA (>0.7)	CR (>0.7)	AVE (>0.5)
Normative ethical behavior		EEB1	I take responsibility for my own errors	0.700	0.880	0.904	0.513
		EEB2	I give credit to those who deserve it	0.596			
		EEB3	I use company services appropriately and not for personal use	0.738			
		EEB4	I am open about my errors	0.773			
		EEB5	I conduct only company business on company time	0.705			
		EEB6	I do not give gifts/favors in exchange for preferential treatment	0.740			
		EEB7	I keep confidential information confidential	0.771			
		EEB8	I take the appropriate amount of time to do a job	0.664			
		EEB9	I report others' violation of company policies and rules	Dropped			
		EEB10	I lead my subordinates to behave ethically	0.740			
Juridical ethical behavior		EEB11	I am careful with company materials and supplies	0.776	0.849	0.889	0.576
		EEB12	I request reimbursement only for allowed expenses	0.770			
		EEB13	I come to work unless I am sick	0.570			
		EEB14	I refuse gifts that are offered for preferential treatment	0.748			
		EEB15	I take only the allotted/assigned personal time (lunch hour, breaks)	0.853			
		EEB16	I complete time/quality/quantity reports honestly	0.806			
		Employees' ethical behavior	Normative Ethical Behavior	0.955			
		Juridical Ethical Behavior	0.912				

Note(s): CA= Cronbach's Alpha, CR= Composite Reliability, AVE = Average Variance Extracted; EEB9, EC6, and P-O Fit4 were dropped due to the low loading

Table 2.

constructs can be classified as sufficiently error-free. To test the reliability indicator, factor loading was utilised. High loadings on a construct are indicators that the associated indicators would seem to have a lot in common, in such a way that the construct was able to capture them (Hair *et al.*, 2017). For factor loadings, values higher than 0.50 were classified as very significant (Hair *et al.*, 2010, 2017). As seen in Table 2, the loadings for all the items were more than the suggested value of 0.5, except for items EEB9, EC6 and P-O Fit4. These items were removed from the scale because of low loadings. For the remaining items in the model, the loading met all the requirements (see Table 2).

For testing the convergent validity (the degree to which a measure is positively correlated to alternative measures of the same construct), the average variance extracted (AVE) was used in this study. This is an indication that all the values of AVE ranging from (0.558–0.881) were higher compared to the recommended value of 0.50 (Hair *et al.*, 2017). For all constructs, the convergent validity was met successfully, and an adequate convergent validity was achieved, as presented in Table 2.

This study assessed the discriminant validity (the extent of differentiation of items among constructs or the measure of individual concepts) using the heterotrait-monotrait (HTMT) ratio criteria. This criterion was selected instead of the Fornell-Larcker criterion because there have been some criticisms with regard to the latter. According to Henseler *et al.* (2015), the Fornell-Larcker criterion fails to accurately reveal the absence of discriminant validity during common research situations. The heterotrait-monotrait (HTMT) ratio of correlations was proposed as an alternative technique based on the multitrait-multimethod matrix. Thus, the discriminant validity was evaluated by this study through the HTMT ratio of correlations. However, the discriminant validity encounters an issue when the HTMT value is more than the HTMT_{0.85} value of 0.85 (Kline, 2010). As shown in Table 3, all the values were less than the recommended value. This signifies that the validity of the discriminant had been determined.

Constructs	EB	EC	EL	POF
EB				
EC	0.768			
EL	0.632	0.647		
POF	0.454	0.592	0.433	

Table 3.
Discriminant validity
via (HTMT criterion)

Note(s): Key: EB = Ethical Behaviour, EC = Ethical Climate, EL = Ethical Leadership, POF = Person-Organization Fit

5.3 Structural model assessment

Hair *et al.* (2017) have recommended a particular criterion while evaluating the structural model. This criterion involves examining the initial stage to the collinearity issue. The R^2 , beta (β), and the corresponding t-values then follow through a bootstrapping procedure, including a re-sample of 5,000. It was also recommended to report the predictive relevance (Q^2) and the effect sizes (f^2) as well. Sullivan and Feinn (2012) have posited that while the p -value determines the existence of the effect, it does not reveal how big the effect is.

5.4 Hypothesis testing

The hypothesis testing provided the first indication of the direct effect, namely, that ethical leadership significantly predicts ethical behaviour. Hence, H1 was accepted with ($\beta = 0.229$, $t = 4.083$, and $p < 0.000$). The results are shown in Table 4.

For the mediation hypothesis (indirect effect), it was suggested by Hair *et al.* (2017) that researchers should follow the technique of Preacher and Hayes (2004) and Preacher and Hayes (2008) during the testing of the mediating effects. In this study, the test of the indirect effect (mediation effect) of ethical climate had its basis in the method developed by Preacher and Hayes (2004) and Preacher and Hayes (2008), which involves bootstrapping the indirect effect. Table 5 presents the results obtained from the bootstrapping analysis.

The findings revealed that there was a significant indirect effect, with ($\beta = 0.275$, $t = 8.898$, and $p < 0.000$). However, it was mentioned by Preacher and Hayes (2008) that when the 0.275, 95% Boot CI: [LL = 0.224, UL = 0.352] and a 0 is not straddled in between, mediation exists. Thus, one can conclude in this study that the mediation effect of the ethical

Hypothesis	Relationship	Std beta	Std error	t-value	p-value	LL	UL	Decision	R ²	f ²	Q ²	VIF
H1	EL ≥ EB	0.229	0.056	4.083	0.000	0.135	0.317	Supported	0.559	0.080	0.258	1.626

Note(s): VIF = Variance Inflation Factor
Source(s): EL ≥ EB = Ethical Leadership ≥ Ethical Behaviour

Table 4.
Path coefficients (direct effect)

climate had statistical significance between ethical behaviour and ethical leadership. Hence, the mentioned results also supported H2, as observed in Table 5.

In accordance with the goals of this study, the moderation test was the key contribution for determining if the P-O fit moderates the relationship between ethical climate and employees' ethical behaviour. According to Hair *et al.* (2017, p. 271), "Moderation occurs when the strength or even the direction of a relationship between two constructs depends on a third variable". Hence, the nature of the relationship varies as per the third variable's value. Furthermore, the moderator is considered an independent latent variable that affects the direction or strength of the relationship between the dependent variable and predictor variable (Baron and Kenny, 1986, p. 1174). Therefore, given the objective of this study, testing was done on the moderation effect of the "P-O fit" and the relationship between the ethical climate and ethical behaviour of employees. As stated earlier, the PLS bootstrapping method with 5,000 re-samples was performed on the structural model to generate the t-values. Thus, the results of the moderation analysis ($\beta = 0.160$, $t = 2.490$, $p < 0.007$), as presented in Table 6, showed that H3 was supported.

Generally, it is not quite clear as to how a moderation analysis differs between a high and low interaction. In other words, the size of the precise nature of this effect is not easy to define from the analysis of the coefficient itself (Dawson, 2014). Thus, Dawson (2014) suggested that this be followed up by an interaction plot. Hence, this study employed an interaction plot. Based on the results and the interpretation of the plot, Figure 2 demonstrates the relationship among the ethical climate, employees' ethical behaviour, and the P-O fit. For the interaction effect, the resultant graph illustrates that ethical climate and employees' ethical behaviour had a stronger positive relationship (the slope was more pronounced) when employees had a higher P-O fit, which supports H3 (Figure 2). Therefore, ethical climate and employees' ethical behaviour had a stronger relationship when the employees possess a higher P-O fit more than lower.

As stated earlier in the analysis section, the issue of collinearity is crucial with regard to a structural model. Hair *et al.* (2017) state that there is a multi-collinearity issue when the largest VIF has a value greater than 5. However, multicollinearity diagnostic is noted in Table 4 and Table 6 through the VIF, which is an indication that no evidence of significant multicollinearity exists among the exogenous constructs in the study since all the VIF values were less than 5 ranged from 1.403 to 1.626). This signifies that the variations observed in the exogenous constructs, and expounded on in the endogenous construct, did not overlap.

In general, the values of R^2 obtained an acceptable degree of explanatory power, as suggested by Cohen (1988) and Chin (1998a, b). This accounts for the 0.617% variance in the given research model which can be classified as a moderate-to substantial effect (Hair *et al.*, 2017). Also, the Stone-Geisser blindfolding sample reuse technique reveals Q^2 is another criterion that has to be assessed during a structural model analysis. This study investigated the power of the proposed research model in terms of predictive relevance and through the utilisation of the blindfolding procedure. Hair *et al.* (2017) recommended using the blindfolding procedure only on endogenous constructs. If Q^2 has a value greater than 0, then there is a predictive relevance of the proposed model for a particular endogenous construct (Fornell and Cha, 1994; Hair *et al.*, 2017). Table 4 shows that the Q^2 value was 0.258

Table 5.
Mediating test (Indirect effect)

Hypothesis	Relationship	Std beta	Std error	t-value	p-value	LL	UL	Decision
H2	EL ≥ EC ≥ EB	0.275	0.031	8.898	0.000	0.224	0.352	Supported
Source(s): EL ≥ EC ≥ EB = Ethical Leadership ≥ Ethical Climate ≥ Ethical Behaviour								

Hypothesis	Relationship	Std beta	Std error	t-value	p-value	LL	UL	Decision	R ²	f ²	VIF
H3	EC × POF ≥ EB	0.160	0.064	2.490	0.007	0.114	0.276	Supported	0.617	0.047	1.403

Note(s): VIF = Variance Inflation Factor
Source(s): EC*POF ≥ EB = Ethical Climate*Person Organization Fit ≥ Ethical Behaviour

Table 6. Interacting effects of person-organization fit with ethical climate on employees' ethical behaviour

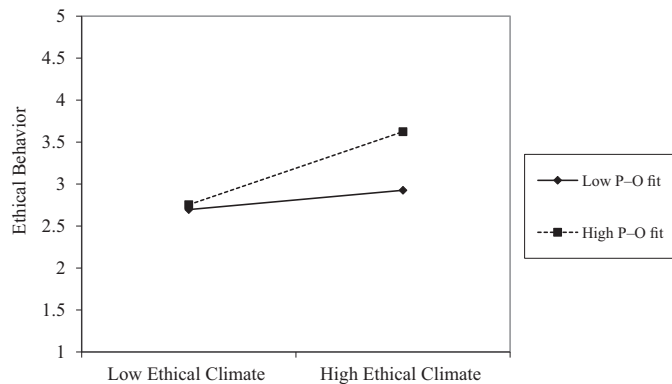


Figure 2.
Interacting effects of P-O fit with ethical climate on the ethical behaviour of employees

(greater than 0), which signified that the proposed model had an adequate predictive relevance. Hair *et al.* (2017) suggested Q^2 values of 0.35 (large), 0.15 (medium) and 0.02 (small) to be used as relative measures of predictive relevance. Hence, this study revealed that the endogenous construct exhibited a large predictive relevance.

In term of the effect size (f^2), which can be used in determining whether an exogenous latent construct has a weak, moderate, or substantial effect on an endogenous latent construct (Gefen and Rigdon, 2011), it was recommended by Hair *et al.* (2017) that a test should be conducted on the change in the R^2 value. Cohen (1988) suggested a magnitude of f^2 at 0.02 (small effects), 0.15 (medium effects), and 0.35 (large effects), as guideline measures. Thus, as indicated in Table 4 and Table 6, the f^2 presented large effect sizes.

6. Discussion and implications

Ethics refer to the norms, standards, and values that direct the behaviour of an individual (Treviño *et al.*, 2014; Bright *et al.*, 2014). Ethical behaviour is vital in society because human beings need to be treated with respect. As previously stated, the focus of earlier studies were focused on the antecedents of the employees' ethical behaviour to determine the factors that would enhance ethical behaviour within an organisation and improve the relationship between leaders and their subordinates (Brown *et al.*, 2005; Mayer *et al.*, 2009). Thus, this study examined how the ethical behaviour of leaders is related to the ethical behaviour of employees by using an ethical climate as the mediator. Most importantly, the current study determined that the person-organization fit is an important moderator of the relationship between ethical climate and employees' ethical behaviour.

6.1 Theoretical implications

This study contributes to the literature on ethical leadership and ethical behaviour of employees in terms of the following aspects. Firstly, earlier studies in general, have observed that perceived ethical leadership has a positive effect on the employees' ethical behaviours (e.g. Mayer *et al.*, 2009; Lu and Lin, 2014). However, these studies were not able to identify the underlying mechanism that connected perceived ethical leadership to the employees' ethical behaviours (Treviño *et al.*, 2014). Hence, this study was able to determine the relationship between ethical leadership and employees' ethical behaviours via the ethical climate as one of the significant underlying mechanisms. Consequently, this study contributes to this limited stream of research with findings that support and help generalize this relationship in another country and context, which encompasses different ethnicities. Iraq is considered a

multicultural country which encompasses Arab (Sunni and Shia), Kurds, Yazidis and other ethnicities with important differences in terms of beliefs, religion, ideology, and identity (Al Halbusi *et al.*, 2019a), thus this study is an asset for the generalization of this relationship across different cultures.

Secondly, this study was able to determine that the P-O fit is a vital boundary condition for identifying the effect of ethical climate on the employees' ethical behaviours. Even though past researches have determined the link between the ethical climate and ethical behaviour of employees, there are still several important questions that need to be addressed (Ruiz-Palomino *et al.*, 2013; Decoster *et al.*, 2019). Thus, this study includes the P-O fit being a vital moderator that reinforces ethical behaviour of employees. Therefore, this study determined that ethical climate has a stronger effect on the ethical behaviour of employees when the P-O fit is high. In other words, a high P-O fit better strengthens the relationship between the ethical climate and ethical behaviour of employees. As expected, there was a substantial change in the strength of the association as a function of the way in which the organisation and the P-O fit congruence were linked. Moreover, the study utilised the logic of the role that different types of value congruences play in order to posit that the overall Person-Organization fit significantly influences organisational outcomes. Therefore, this study also helps to confirm previous suggestions of P-O fit as a concept that influences the relationship of contextual influences on the ethical behaviour of individuals (Ruiz-Palomino *et al.*, 2013).

6.2 Practical implications

In terms of management, the findings send a clear signal to those in the upper level that, without ignoring the issue of ethics in organizations, employees are a critical aspect to be taken into account to encourage ethical behaviour at the workplace. This study has important practical implications. First, managers are considered as vital sources of ethical behaviour which contributes to organisational success. This study revealed that ethical leadership has a meaningful effect on the ethical behaviour of employees. This study argued that as role models in their organizations who can engender relational attachments and model ethical leadership behaviour, managers possess a moral authority that virtuously affects the behaviour of the organisation's members. Furthermore, several important aspects can be drawn from the results of this study. First, ethical leadership is a key factor that affects the employees' ethical behaviour. Thus, this should be taken into consideration by Iraqi organisations. Iraqi businesses should therefore try to choose or train ethical leaders, given how ethical leadership can improve the ethical behaviour of employees. Options that organisations may consider can include hiring more ethical leaders and offering existing leaders with more training. Examples of training topics include supporting and rewarding employees who behave ethically, communicating the importance of ethics, and leaders acting as role models of ethical behaviour (Demirtas, 2015; Lu and Lin, 2014).

Secondly, as noted earlier, the statistical results signified that ethical climate plays an important mediating role in the relationship between ethical leadership and employees' ethical behaviour. According to Victor and Cullen (1988), an ethical work climate can be defined as the "predominant perceptions about the procedures and practices of the organization that have ethical content or the prevailing perceptions of typical organizational practices and procedures that have ethical content" (p. 101). The generation of ethical behaviour depends on multifactorial entities. Manager behaviour is one of the most influential and important factors in fostering the ethical behaviour of employees. Therefore, it has been also demonstrated by the results that creating an ethical climate within the workplace is vital since an ethical climate has a positive relationship with the employees'

ethical behaviour. To enhance ethical conduct, organisations must have leaders who inspire and exemplify ethical behaviour. Organizations should also implement systems that discipline unethical conduct and reward ethical behaviour. It is suggested by this study that Iraqi organizations must focus on the development of an ethical climate that puts emphasis on the employees' ethical behaviour by focusing on observing the law and professional standards, and also emphasising public interest instead of self-interest (Treviño *et al.*, 1998). Therefore, the vital indication given by the results of this study is that managers who possess and exhibit ethical leadership qualities such as fairness and integrity; emphasise ethical standards; support and reward employees who behave ethically; and become role models of ethical behaviour are more capable of creating an ethical climate that values doing the right thing. When employees operate in an ethical climate, they are more likely to engage in ethical behaviour (Mayer *et al.*, 2009; Treviño *et al.*, 2014). Thus, this study revealed that within the Iraqi context, leaders are able to improve ethical behaviour among employees by enhancing the ethical climate. This can be done by enacting ethical rules and standards, demonstrating the highest ethical behaviour inside the organisation, and establishing very clear ethical standards. Fundamentally, an ethical climate is an important key facilitator of the relationship between the ethical behaviour of employees and ethical leadership which needs to be highly considered by the organizations.

Third, as previously mentioned, this study determined that ethical climate has a stronger effect on the ethical behaviour of employees when the P-O fit is high rather than low. The effect that ethical climate has on the employees' ethical behaviour is dependent on the P-O fit. In other words, a high P-O fit better strengthens the relationship between the ethical climate and ethical behaviour of employees. Therefore, there was a significant change in the strength of the association as a function of the way in which the organisation and the P-O fit congruence are linked. Furthermore, the study utilised the reasoning of the role that different types of value congruences play in order to posit that the overall Person-Organization fit significantly influences organisational outcomes. Consequently, as an exemplification of the person-environment standpoint within organisational situations, the P-O fit has normally been described as the extent of congruence between employees and organisational norms, beliefs, values (Chatman, 1989), and goals (Kristof-Brown *et al.*, 2005). A high degree of overall P-O fit can potentially meet human needs, preferences, and desires (Chatman, 1989; Kristof, 1996). As a result, these produce positive subjective experiences (Vilela *et al.*, 2008), such as positive behaviour (Verquer *et al.*, 2003; Kristof-Brown *et al.*, 2005). Therefore, there is a need for Iraqi organisations to highly consider the congruence of value between employees and organisational values, norms, and goals in order to obtain a strategic, sustainable and positive behaviour on their employees' parts. Thus, it was also suggested by this study that the ethical climate and the P-O fit may, to some degree, substitute for each other as they influence the ethical behaviour of employees. Therefore, firms that were identified to have a low level of ethical standards, practices, and policies, at least from the employees' perspective, are better poised to conduct ethical issues in order to construct the ethical behaviour of their subordinates. More importantly, it is highly essential that the value congruence between an organization and its followers be considered.

7. Limitations and future studies

The primary limitation of this study is in the data, which was obtained from a single source. Although the study conducted two surveys and utilised a mediation and moderation variables model that was less likely to be influenced by common method bias (CMB) (Podsakoff *et al.*, 2012), one cannot completely rule out CMB. Apart from the potential effects of the CMB, the consistency of the empirical findings could have also been compromised since

self-reported data were utilised in measuring ethical behaviour, which can be a very complex and sensitive issue. For this reason, the social desirability response bias cannot be ruled out completely. When possible, future studies must gather data from multiple sources. Furthermore, supervisors must evaluate the ethical behaviour of employees.

Another limitation was that the findings of this study were based on a sample in a Middle Eastern cultural context such as in Iraq. Perhaps, the particular cultural features of this context, which encompassed, among other things, a strong adherence to religious values (Moaddel, 2010), could have influenced the findings of this study. It is true that the effects of differences (P-O fit) are highly likely to replicate across cultural contexts (Triandis *et al.*, 1988). However, it can be seen that further studies are needed to evaluate the context-sensitivity of these findings (Whetten, 2009) by analysing other cultures, where the importance of religiosity is on the decline (i.e., in Western countries, Ribberink *et al.*, 2018) or where the cultural features are very much different from those that apply to Iraq.

Lastly, other external factors were not taken into account by this study as it tried to explain ethical behaviour. Ethics is a highly complex subject and is influenced by numerous variables at the organisational, individual and external environment levels. Thus, caution must be observed when making inferences from the present study which, to a certain degree, offered a simplified version of ethical behaviour by concentrating on a few variables such as the Arab culture's traditional ideology, which dominates even science (Abu Khalil, 1992). In addition, there are the political conflicts in the Middle Eastern cultural context such as what is happening in Iraq (Harff, 2018). Thus, it is important to include such aspects in future researches.

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Linking ethical
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Corresponding author

Hussam Al Halbusi can be contacted at: hussam.mba@gmail.com

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