Impact of Ethical Leadership and Ethical Climate on Employees' Outcomes: The Mediating Effect of Trust in Organization

Muhammad Arif Nawaz
muhammadarif2086@gmail.com
Ph. D Scholar
Department of Commerce, Bahauddin Zakariya University,
Multan-Pakistan

Dr. Masood Ul Hassan
masood@bzu.edu.pk
Professor
Department of Commerce, Bahauddin Zakaryia University, Multan

Dr. Khawar Naheed
khawarnaheed@bzu.edu.pk
Assistant Professor
Department of Commerce, Bahauddin Zakaryia University, Multan

Abstract

The main objective of this study is to examine the direct impact of business ethics i.e. ethical leadership and ethical climate on employees' affective commitment and employees' performance and also examine the indirect impact of trust in organization between business ethics i.e. ethical leadership and ethical climate on employees' affective commitment and employees' performance. To fulfill the objective, this study hypothesized a positive relationship between business ethics i.e. ethical leadership and ethical climate and employees' affective commitment and employees' performance. Data was collected through distributing 600 questionnaires among the employees working in regional and head offices of cellular operators i.e. Mobilink, Ufone, Telenor, Zong and Warid located in four big cities of Punjab Pakistan

i.e. Multan, Faisalabad, Lahore and capital city Islamabad. Out of 600, 518 questionnaires were used for analysis using SPSS 20 software. The results showed that two dimensions of business ethics i.e. ethical leadership and ethical climate has a significant positive relationship with employees' affective commitment and employees' performance. Moreover, this results supported the partial mediation of trust in organization between the business ethics namely ethical leadership and ethical climate and employees' out comes i.e. employees' affective commitment and employees' performance . Finally, the study also presents some theoretical and managerial implications, limitations and suggestions for future research.

Key Words: Ethical leadership, Ethical climate, Trust in organization, Employees' Affective Commitments, Employees' Performance, Pakistan

Introduction

In today's vibrant business environment, the development of a committed work force that works innovatively and works together in ethical way is essential for sustainable development of organizations as well as to avoid the unethical practices in organizations. (Copper-Hakim & Viswesvaran, 2005;Choi,2007; Marinova, Moon,&VanDyne,L.2010).Moreover The increasing levels of complexity and dynamism as well as unethical issues of employees are difficult to guide leaders to identify themselves and solve; experts have discovered the behavior of these kind of employees (e.g., LePine & Van Dyne, 2001; Marinova et al., 2010) and are committed to commitment

to busy workers (e.g., Copper-Hakim & Viswesvaran, 2005).The questions remain, especially it is about to influence behavior of ethical leaders on employees (Morrison, 2011; Wayne, Coyle-Shapiro, Eisenberger, Liden, Rousseau, & Shore, 2009). In this context, ethical leadership and ethical climate provide the rut and rudder to the organization to enhance the employees positive attitude and behavior i.e. employees' affective commitment and employees' performance to achieve the target of the organizations (Gao, Janssen, Shi,2011; Mendonca & Kanungo, 2007). In a post-Enron Era, practionners and scholars have strong motivations to focus on ethical issues in an organization (Mulki, Jaramillo & Locander, 2008). This increased interest of stakeholders in ethical issues can see in the World leading and growing sector of Pakistan's telecom operators holds their mission as "Customer First, Service Foremost" with the expectations of maintaining high ethical standards (Brown, & Treviño, 2006). To uphold these ethical standards, the telecom operators are trying to demonstrate the real and sustained ethical leadership by providing ethical leadership, ethical climate and trustworthy environment within their organizations and translate ethical words into employees' positive work place behaviors and outcomes. The key fundamental to changing employee's attitudes and behaviors is to be the best example yourself through ethical leadership and providing ethical climate and trust, since

employees need to see how well an individual practice code of conducts set forth by organization (Mendonca & Kanungo, 2007).

Within Pakistan's telecom context, the cellular operators have registered a growth rate of 150% from 2003 to 2012 (PTA, 2012). This rapid growth has increase the competition among the operators and raise the importance of ethical issues that form the basis of building the relationships, commitment, performance and trust with employees, customers, partners, competitors, and suppliers in their day-to-day conduct of their business. To achieve this, telecom employees have to demonstrate high organizational trust, employees' affective commitment and employees' performance. To attain these high employees' work place outcomes, the main objective of this study is to examine the direct relationship between business ethics i.e. ethical leadership and ethical climate and employees' affective commitment and employees' performance and examine the indirect impact of trust in organization between business ethics i.e. ethical leadership and ethical climate on employees' affective commitment and employees' performance.

Literature Review

Ethical leadership

Leadership is a process whereby an individual influences a group of individuals to achieve a common goal (Northouse, 2007).Ethical leadership, defined as "the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making" (Brown, Trevino, and Harrison 2005, p. 120), has the potential to encourage this type of positive engagement among employees. There are theories that helps individuals to become leaders in an organization: trait leadership theory explain that it is a situation where some personality traits may lead people naturally into leadership roles; a crisis or important event may cause a person to rise to the occasion, which brings out extraordinary leadership qualities in an ordinary person; and the process leadership theory explain that leadership skills can improve through learning (Bass, 1990).

Previous researchers have examined and found a positive relationship between ethical leadership and organizational behavior (e.g., Cullen et al., 2003; Neubert et al., 2009; Trevino et al., 2003; Brown et al., 2005). The study of Brown and Trevino (2006) study depicted those individual qualities such as moral reasoning, care and the contextual factor served as the predecessor of ethical leadership. It is

argued that leadership in the most basic sense and most devoted pursuits that involve the process of influence on others in the organizational sciences (Yukl, 2010). In the concept of ethical leadership, the concept of attractiveness can be viewed as a function of a leader's status and involves the added dimensions of care, concern and fair treatments of followers. Parallel to the notion of attractiveness, a final important dimension of ethical leadership is the leader's trustworthiness. Trustworthiness also enhances a leader's credibility in the role-modeling process (Brown and Treviño, 2006).

Ethical Climate

Scholars have defined the ethical climate as the general perception of the employees in the organization and firms' signals regarding the values in decision making having moral component, e.g how we can behave ethically with others and how to handled these problems or issues (Cohen, 1993, Victor and Cullen 1987). Organizational ethical climate is also defined as the psychological environment in which the individuals behavior occur (Ott, 1998). Farrell and Fraedrich (1997) appreciated Cullen's and Vectors (1987) ethical framework. Ethical Climate emphasized that management's ethical conduct vehemently effect organizations Ethical Climate. Employees' seeks personal satisfaction responding ethically. It is presumed that there will arise a conflict if an employee is compelled to compromise ethical values to achieve organizational goals. A lake of

similarity in case of ethical values of employees and organization creates and ethical conflict. Employees' personal ethics are not in consonance with the organization and business ethics, expectations and organization norms (Soutar et al., 1994)

As concern to employees ethical conflict involves pressure by his peers, members of the organization and his supervisor to associate their values to achieve goals for organization (Leicht and Fennell, 1997). The same conflict leads to low level of satisfaction through seeking job, limited commitment, substandard of performance, stress for job and low turnover (Schneider et al., 1995). Three ethical criteria differ as:

Egoism Climate

Egoism climate based on moral philosophy of egoism which meant individuals best interest which overlaps ethical reasoning procedures (Farrell and Fraedrich, 1997; Erondu et al., 2004). Egoism translates one's self seeking pleasures and avoiding pains, e.g company profit and efficiency.

Benevolence Climate

Benevolence Climate interprets positive or negative consequences of action (Farrell and Fraedrich, 1997; Erondu et al., 2004). E.g team interest, friendship and social responsibility.

Principled Climate

Principle climate means moral philosophy which indicates individuals ethical decision based on salted roles of right and wrong. (Erondu et al., 2004). Principled climates refers to company rules and regulation and morality Fritzsche (2000), Dickson et al. (2001) and Peterson (2002), and appreciated Cullen and Vectors. Ethical Climate well known in the World (Cullen et al., 2003; Koh and Boo, 2001; Malloy and Agarwal, 2000; Peterson, 2002).

Trust in Organization

Trust explains the vaulnerability of organization through their action, employees expect to be treated trustfully in their organization. Their expectations can be fulfilled when the organization has clear communication with formal and informal networks. Within an organization, employees are the important source of information for their colleagues. The theory of social information processing argued that the social environment of an organization play an important role for positive work outcomes and also increase their commitment (Salancik & Pfeffer, 1978). When an fulfill its commitment communicated through the concerned employee that turn increase their trust on the organiazation.

Festinger (1954) pointed out that in a social environment, relevant information about the employees is most important to increase the performance. The study further explains that when the basic information among the employees is not obvious, a start interpreting from their similar social network. Therfore, employees assess and arrange the acceptable behavior of their colleagues (Salancik and Pfeffer 1978). The trusted among the employees increase their trust towards their organization because employees regard their colleagues socially acceptable. When all employees are clear that the actions of their organization are valuable, it will affect their trust in the organization.

The Potential Mediating Role of Trust in Organization

The direct relationship between ethical leadership and affective commitment or general

commitment is supported by empirical studies (e.g., Brown and Trevino, 2006; Hartline et al.,

2000; Hartline and Ferrell, 1996). There are studies that examined the relationship between

ethical leadership and organizational trust (e.g., Van den Akker, Heres, Lasthuizen, & Six,

2009). Trust and employee commitment are two important factors for the ethical leadership for improving individual and job performance. (Berrone et al., 2007) for good business the good ethics is necessary

because it creates trust and commitment to all which assured long term performance of the organization. These studies play an important role for creating trust in organizations. Trust in organization creates relationship among business ethics i.e. ethical leadership and ethical climate and individual affective commitment, job performance. Results show that organizational outcome is not directly outcome of business ethics; it is also delivered from different modes. To acquire outcome the trust is very important factor. For example, in resent studies business ethics channelized by the system of trust in organization which inspired employee commitment and job performance.

Employees' Commitment

What person feels for the organization, it shows the degree of individual or to pay and great role for the organization is called employees' commitment (O'Reilly and Chatman, 1986).

Employee commitment is also stated as, commitment for the success of organization and believes that his fairness is lying in working for the organization. Many reports on affective commitment are due to people since of identification, their experience and their involvement (Allen and Meyer, 1990)

Allen and Meyer, 1990 created a model which is regarded as reasonable attention. They made three component necessary (I) employees' affective commitments (affective emotional attachment of employees with organization) (ii) employees' continuance commitment (the

feelings how much cost will occur for leaving the organization (iii) normative commitment (to remain with the organization is normality)

Employees' Affective Commitment

Employees' affection with organization, having relation with countless behaviors, mostly aspiration to leave organization and search for alternative jobs moreover the job and turnover for activities (Mathieu and Zajac, 1990).

Affective commitment with organization is defined in many ways but the crux is that the worker is always engaged himself with the organization even in the case staying or leaving the organization made the employees (Mowday, Steers, and Porter, 1979).

Again workers who are dependent workers no need to mention. And may be expected that affective commitment should be law for the dependent workers than the core employees. Resulting, it shows that dependent workers are little bit less constructive behavior , for instance performance through jobs and destructive behavior in the case of turnover. Affective commitment is a universal element of commitment (Wasti, 2002) and is requisite element for scholar as well as for practitioners.

Affective commitment is well known and basic sign for the positive and organizational outcomes. Much of the literary presumes pose their attention on the affective commitment in their research work (Wright and Bonett's,2002) and gain several positive and signs affects

organization e.g absence from organization and low turnover rate and maximizing extra-role behavior (Allen and Meyer, 1990).

Publically, affective commitment is a psychological commitment. Affective commitment include inner inspiration and determined or commitment minds. With affective commitment employee can provide benefits their organization. If the employees have affective commitment, they can stay their organization because of their own desire.

Allen and Meyer (1996) define affective commitment as under employee involvement, attachment and identification with the organization. This is psychological attachment of the employees with the organization and there is minimum chance of employees getting rid of their organization. We do not find trust in coworkers and organizational commitment because it is attitude level organization that priority induces a predictor at the organization level (Dirks and Ferrin, 2002).

Benefits of a Committed Workforce

Due to good performance there occur benefits as under:

- Commitment increased job satisfaction (Vandenberg and Lance 1992)

- Commitment increased job performance (Mathieu and Zajac, 1990)

- Commitment increased total return to shareholders (Walker Information Inc., 2000)

- Commitment increased sales (Barber *et al.*, 1999)

- Commitment decreased employee turnover (Cohen, 1991)

- Commitment decreased intention to leave(Balfour and Wechsler, 1996)

- Commitment decreased intention to search for alternative employers (Cohen, 1993)

- Commitment decreased is absenteeism (Cohen, 1993, Barber *et al.* 1999)

Katz (1964) is of the view that effectiveness of the organization employee behavior is important which include (1) to enter and remain with the organization (2) to carry out vital essentials (3) to engage to him in continuous struggle which is beyond perception. Good workers appointment is very important but it is much important for the organization to mobilize and committed workforce. The employees' commitment is very natural for the commitment and satisfaction for the job (Bateman and Organ, 1983), workplace justice (Moorman, Niehoff and Organ, 1993), trust in and loyalty to the leader (Deluga, 1994) and perceptions of supervisor fairness (Niehoff and Moorman, 1993).

In short employees' commitment is necessary for the some organization, if there is no loyalty from the worker it will cost to the company. The organization should be attentive to make relationship

with employees is to create organization loyal and committed employees.

Employees' Performance

It is necessary for the employee that should be very well versed with the performance to achieve success in their jobs. Employee performance plan are also expectations and those plans are written and recorded must include critical and non critical elements. Tsui et al (1997) argued that management and employees supportive create a balance between employee's performance on their core job and activities which in turn provide benefit to their working organization as larger unit.

The Relationship between Ethical leadership and Employees' Affective Commitment

The term organizational commitment become famous required great attention in psychological literature and organizational behavior (Mathieu and Zajac, 1990). It has been perceived that rating a good understanding of employee, group and organization process having relation with organizational commitment has important implication for the individual, organization and society (Mowday, Steers and Porter, 1979). Although there is no clear relation between organization commitment attitude and individual performance yet there is strong evidence about relation between employees' commitment and organization performance as whole (Liang, 1987). Individual

commitment for the organization is necessary for the success and continuity of an organization. In 1974 Buchnan argue that individual commitment for the organization is necessary when ownership is absent as motive for relation for organization progress. The organization has two works for creation and for committed elite's protection. Moreover above decades the scholar have progressed a plethora of definitions on the idea of individual, organizational commitment can be pointed out attachment of in it individual with the organization, and it can be seen in the relative strangers of individual involvement and his identification (Jaramillo, Mulki, and Marshall 2005 as cited in Jaramillo, Mulki and Solomon 2006). Commitment can divided into two categories behavioral and attitudinal (Staw, 1977). The idea of commitment described two different aspects. Especially individual come to know with the goals and values of organizational and desire for the membership manning's known as attitudinal commitment. Moreover when employee passed behavior bound him with organization is called behavioral commitment. In addition attitudinal commitment defined by the Mowday et al. (1979) is taken into practice. The employee identification and his involvement with the organization is defined by the relative strength. It is further defined into three categories (1) determination for the acceptance of values and goals of the organization (2) To make effort for the organization (3) will power for maintaining membership with the organization .

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The Relationship between Ethical leadership and Employees' Performance

Employees help their organizations to achieve their goals and objectives. Previous literature showed that ethical leaders are the source of increased job performance (e.g., Resick et al., 2011, Piccolo, et al., 2010, Ruiz and Martinez, 2011). The study of Piccolo, et al. (2010) recommended that organizational leaders along with their commitment influence tasks significance and autonomy through the characteristics of JCM and individuals wish to make extra struggle on work performance. It is considered as unethical, ehen the leaders canaot follow their expected role, cannot fulfill their responsibility and cannot avoid bad behavior   (O"Connell and Bligh, 2009). Ethical leadership to can bring effective leadership employee willingness to make extra efforts, job satisfaction of employee surroundings for Ethical leadership to begin with, in the result which will increase individual's job performance.

The Relationship between Ethical Climate and Employees' Affective Commitment

Ethical Climates have the characteristics of employees urgent group work, members of organization as a whole and stakeholders of an organization (Barnett and Vaicys, 2000). According to (Cullen et al) these types of climates signals to its members should be sensitive and having aspiration to support one another. This cohesiveness of members

create the sense of cooperation, this leads the involvement and commitment of the individuals for the organization. This benevolent climate supports the well being of the workers as their basic concern. The positive and association of organizational supports and effective commitment is important, which determine the basic research (Fuller, Hester, Barnett, Frey, and Relyea, 2006).

The Relationship between Ethical Climate and Employees' Performance

Without the employee, the organizations cannot achieve the goals and objective. Many of the studies show vital role of the ethical leaders for the success of job performance. The performance is the result of ethical decision making (Wotruba 1990). Performance indicates the success, the bounces, raises, servant's promotion, status and recognition. The powerful motivators are accoutrements. Fritzsche (1988) recognize as the negative outcome increases the un-ethical actions proportionally decreases. Jansen and Von Glinow (1985) indicated their factors, mediation of sales behaviors and relation among job performance and characteristics of job. It was also repeated by Piercy et al. (1999) who argued sales behaviors performance is outcome of performance. It is simple way that sales persons engage himself in on job for his objective success. The decisions of sales person's weather ethical or un-ethical are result of his behavior. Wotruba (1990) categorize performance by the three factors, decision, framework and actions.

Valentine et al. (2011) proposed that creativity of facts employees' behaviors towards the job. Researcher shows, there should be a sense of responding of the employee towards organization and the ethical values, encouraged the sense of creativity (Oliver et al., 2009). Another present study Valentine et al. (2011) argued that the ethical values based on supposition are difficult for creating organizational mindset, a ability that related creativity. The favorable result is possible when the culture is based on ethics and creativity.

Research Design:

Research Model

Independent Variables

Dependent Variables
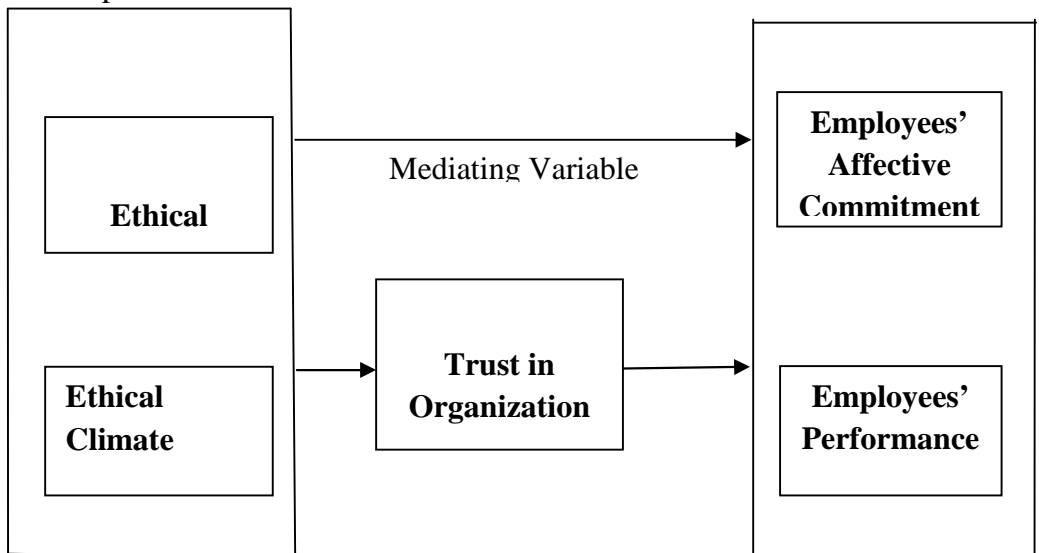
Development of Research Hypotheses

Following 10 hypotheses have been proposed from the review of the related literature,

H1a: Ethical leadership of executives will have positive and significant effect on Trust in Organization.

H1b: Ethical leadership of executives will have positive and significant effect on employees' affective commitment.

H1c: Ethical leadership of executives will have positive and significant effect on employees' performance.

H2a: Ethical climates will have positive and significant effect on trust in organization.

H2b: Ethical climates will have positive and significant effect on employees' affective commitment.

H2c: Ethical climates will have positive and significant effect on employees' performance.

H3a: Trust in organization positively mediates the relationship between ethical leadership and employees' affective commitment.

H3b: Trust in organization positively mediates the relationship between ethical leadership and employees' performance

H4a: Trust in organization positively mediates the relationship between ethical climates and Employees' affective Commitment.

H4b: Trust in organization positively mediates the relationship between ethical climates and employees' performance.

Data Collection and Sample Size

The described procedures resulted in the minimum sample size. However, in this study, to obtain an adequate response rate to account for lost mails and uncooperative subjects, 600 respondents were targeted to be surveyed. Purposive sampling and convenience sampling is used in this study. Purposive sampling was used for target population which is direct employees. They are working only in regional and head offices of telecom sector. Our case study is on Punjab as well Capital city Islamabad. In Punjab regional offices are in Lahore, Faisalabad and Multan and head offices are in Lahore, Faisalabad as well as Islamabad. Therefore researcher takes only 4 big cities Lahore, Faisalabad, Multan and Islamabad. Non- probability sampling, i.e. convenience sampling technique was also adopted in this study. Convenience sampling involves sampling procedures used to obtain units or people who are conveniently available. Questionnaires were given personally to 600 employees from cellular operators of Pakistan working in different, regional offices and head offices located in big cities of Punjab, Pakistan i.e. Multan, Lahore, Faisalabad, and capital city Islamabad. There were 545 questionnaires returned, out of which 518 complete responses were retained for the statistical analysis.

Research Instruments

A Likert type survey questionnaire containing measurement scales on ethical leadership, ethical climate, trust in organization,

employees' effective commitment and employees' performance along with demographic information is adopted thorough review of the related prior literature. All of the variables were self-reported and each question has different items measured on a 5 point Likert-type scale (5: Strongly agree, 4: Agree, 3: Neutral, 2: Disagree, 1: Strongly disagree).

Ethical Leadership (EL)

Employee perception of ethical leadership about their director / manager/supervisor/immediate authority was measured with ethical leadership scale (ELS) adopted from Brown et al, (2005). It has 10 items. This scale has a reliability coefficient (Cronbach's alpha) of .92 in the study of the mediating roles of ethical leadership and work group psychological safety (Walumbwa & Schaubroeck, 2009).

Ethical Climate (EC)

Ethical climate in the organization questionnaire has adopted which is developed by the Cullen et al, (1993) and it has 12 items. These items asked form employees to assess either how much ethical culture is, in this organization. Cronbach's alpha for the ethical climate (12 items) was .74 (Koh & Boo, 2001).

Trust in Organization (TIO)

Trust in organization questionnaire has adopted first three items from R. C. Mayer and J. H. Davis (1999) and last 2 items from N. Gillespie (2003). It has 5 items. Cronbach's alpha for the trust in organization (5 items) was .75.

Employees' Affective Commitment (EAC)

Employees' affective commitment (EAC) questionnaire has adopted from Allen and Meyer (1990). It has 8 items. Cronbach's alpha for the employees' affective commitment (8 items) was .87.

Employees' Performance (EP)

Employees' Performance questionnaire has adopted from Tsui, Pearce, Porter, and Tripoli's (1997). It has 11 items. Cronbach's alpha for the core task performance scale (11 items) was .67.

Factor Analyses

Validity of the items is ensured by Factor Analysis (FA). In this study, by using SPSS, Principal Component Analysis with varimax rotation, these principal components are computed. Moreover, the factor analysis was used to exclude those items which have low factor loading (less than .50); hence not considered for further analysis and the remaining items with high factor loadings showing good discriminatory validity are retained for further analysis. In this study, factor analysis was conducting on following independent, mediating and dependent variables in Table 1.

Table: 1 Factors Analysis

Factor and Items		Factor Loading
Factor # 1 Ethical leadership: KMO= .878, Variance Explained= 65.550		
EL2	Define the success not just by result but also by the way they are obtained.	.776
EL5	Makes fair and balanced decisions.	.856
EL6	Can be trusted.	.836
EL7	Discusses business ethics or values with employees.	.763
EL8	Sets examples of how to do things right in terms of ethics.	.779
EL9	Has the best interest of the employee in mind.	.843
Factor # 2 Ethical Climate: KMO= .888, Variance Explained= 56.598		
EC1	My organization emphasizes the importance of furthering its interests.	.754
EC3	All decisions and actions in my organization are expected to contribute to the organization's interests.	.692
EC4	Work that hurts my organization's interests cannot be acceptable.	.717
EC6	My organization emphasizes employee welfare.	.711
EC7	All decisions and actions in my organization are expected to contribute to the organization's interests.	.806
EC9	Compliance with organization rules and procedures is very important in my organization.	.768
EC10	Employees in my organization are expected to stick to organization policies strictly.	.745
EC12	My organization emphasizes the importance of its rules, procedures and policies.	.816
Factor # 3 Trust in Organization: KMO= .750, Variance		

	Explained= 60.628	
TIO1	If I had my way, I would let the organization have any influence over the issues those are important to me.	**.614**
TIO2	I would be willing to let the organization have complete control over my Future in the organization.	**.747**
TIO3	I would be comfortable allowing the organization to make decisions that directly Impact me, even in my absence.	**.892**
TIO4	I am willing to rely on the organization to represent my work accurately to others.	**.827**
TIO5	I am willing to depend on the organization to back me up in difficult situations.	**.786**
	Factor # 4 Employees' Affective Commitment: KMO= .886, Variance Explained= 59.773	
EAC1	I would be very happy to spend the rest of my career with this organization.	**.817**
EAC2	I enjoy discussing my organization with people outside it.	**.337**
EAC3	I really feel as if this organization's problems are my own.	**.845**
EAC4	I do not think that I could easily become as attached to another organization as I am to this one.	**.795**
EAC5	I feel like 'part of the family' at my organization.	**.898**
EAC6	I feel 'emotionally attached' to this organization.	**.545**
EAC7	This organization has a great deal of personal meaning for me.	**.882**
EAC8	I feel a Strongly sense of belonging to my organization.	**.879**
	Factor # 5 Employees' Performance: KMO= .902, Variance Explained= 63.342	
EP2	The quality of work is much higher than average.	**.825**

EP3	The employee's efficiency is much higher than average.	.780
EP4	Employee's standards of work quality are bigger than the formal standards for this job.	.747
EP6	Employee upholds highest professional standards.	.782
EP7	Employee's ability to perform core job tasks.	.776
EP8	Employee's judgment when performing core job tasks.	.812
EP9	1Employee's accuracy when performing core job tasks.	.788
EP10	Employee's job knowledge with reference to core job tasks.	.800
EP11	Employee's creativity when performing core tasks.	.848

Result and Findings

Reliability Analysis Test

Researchers generally use the Cronbach alpha coefficient for establishing scale reliability. The Cronbach alpha coefficient is an indicator of internal consistency reliability among a group of items combined to form a single scale. This statistics reflect the homogeneity of the scale. Theoretical value of alpha lies between 0 and 1 and higher values are preferable. In this regard, Nunnally (1967) provided that reliability coefficient of 0.70 or more considered good. In this study, Cronbach's Coefficient Alpha value for each measurement scale was calculated. As shown in Table-2, each variable's reliability in shape of Cronbach's value was considered as acceptable.

Table-2 Reliability Analysis Test for all respective variables

Factor	Number of Items	Cronbach's Alpha
Ethical leadership	6	.807
Ethical Climate	8	.888
Trust in Organization	5	.830
Employees' Affective Commitment	3	.903
Employees' Performance	9	.926

Mean and Standard Deviation

In this study, we have founded out the means and standard deviation of all independent and dependent variables using descriptive statistics method in Table-3.

Table-3 Means and Standard Deviation of Independent and dependent Variables

Descriptive Statistics			
	N	Mean	Std. Deviation
EL	518	4.5019	.50144
EC	512	4.4397	.53800
TIO	518	4.1228	.52870
EAC	512	4.2114	.58868
EP	518	4.4354	.53959
Valid N (listwise)	506		

The mean and standard deviation values of independent variables (two dimensions of business ethics i.e. Ethical leadership and Organizational Fairness), mediating variable (Trust in Organization) and dependent

variables (Employees' Affective Commitment, Employees' Job Satisfaction and employees' performance) are given in the Table-3 It shows that each study variable is highly rated, as mean value of each variable is greater than four.

Correlation Analysis for all Variables

Correlation analysis is a measure of relationship between two variables. It is widely used in application of business and statistics. SPSS provide three types of correlation coefficients: Pearson's, Kendall's tau-b, and Spearman's. While Pearson's coefficient is commonly used for continuous data, the other two are used mainly for ranked data.

In this study, we have founded the Pearson's Correlation Coefficient r of all the independent and dependent variables by using the Bivariate Correlation Analysis which shows that the Pearson's Correlation Coefficient r reflect the correlation between all variables.

The results are shown in Table-4 The results show that independent variables (ethical leadership and ethical climate), mediating variable (trust in organization) and dependent variables employees' affective commitment and employees' performance) are significantly and positively correlated with each other.

Table 4 Correlation Analysis

Correlations		EL	EC	TIO	EAC	EP
EL	Pearson Correlation	1				

	Sig. (2-tailed)				
	N	518			
EC	Pearson Correlation	.805**	1		
	Sig. (2-tailed)	.000			
	N	512	512		
TIO	Pearson Correlation	.652**	.732**	1	
	Sig. (2-tailed)	.000	.000		
	N	518	512	518	
EAC	Pearson Correlation	.752**	.758**	.795**	1
	Sig. (2-tailed)	.000	.000	.000	
	N	512	506	512	512
EP	Pearson Correlation	.851**	.871**	.762**	.721**	1
	Sig. (2-tailed)	.000	.000	.000	.000	
	N	518	512	518	512	518

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

Regression Analysis

Regression analysis is widely used to find out the relationship between one dependent variable (DV) and several independent variables (IVs). This technique is commonly used in much of the social sciences research.

In this study, regression analysis was run with the help of SPSS 20.0 to find out the impact of ethical leadership (EL) and ethical climate (EC) (IVs) on employees' affective commitment (EAC) and employees 'performance (EP) (DVs) one by one and detail is given in tables below:

Mediation Analysis

Baron and Kenny (1986) describe three conditions for mediation analysis:

1. Independent and dependent (Meditating) Variable must be significantly correlated.

2. Independent and dependent variable must be significantly correlated.

3. In the presence of mediating variable, the impact of independent variable on dependent variable should be insignificant for fully mediation.

The result will be,

(a) If independent variable is insignificant (P>.05), it means fully mediated.

(b) If mediating variable is significant and independent variables are also significant, it means that it is partially mediated.

(c) If mediating variable is not significant, it means that it is no mediated.

Regression Analysis Discussion

Regression analysis is widely used to find out the relationship between dependent variable and independent variables. This technique is commonly used in social sciences studies. This study, run the regression analysis was run with the help of SPSS to find out the impact of ethical leadership and organizational fairness on employees affective

commitment and employees performance one by one. The details of the

results are reported in **Table-5**.

Table 5 Regression Analysis

	Hypotheses	P	Adj. R^2		T	Result
H1a	Ethical leadership of executives will have positive and significant effect on Trust in Organization.	.000	.424	.652	19.551	Supported
H1b	Ethical leadership of Executives will have positive and significant effect on Employees' affective commitment.	.000	.565	.752	25.788	Supported
H1c	Ethical leadership of Executives will have positive and significant effect on Employees' Performance.	.000	.725	.851	36.875	Supported
H2a	Ethical Climate will have positive and significant effect on Trust in Organization.	.000	.535	.732	24.272	Supported
H2b	Ethical Climate will have positive and significant effect on Employees' Affective Commitment.	.000	.574	.758	26.106	Supported

H2c	Ethical Climate will have positive and significant effect on Employees' Performance.	.000	.759	.871	40.107	Supported
H3a	Trust in Organization positively mediates the relationship between Ethical leadership and Employees' Affective Commitment.	.000	.565 .725	.406 .529	13.261 17.272	Partially Mediation
H3b	Trust in Organization positively mediates the relationship between Ethical leadership and Employees' Performance	.000	.724 .798	.617 .339	23.677 13.783	Partially Mediation
H4a	Trust in Organization positively mediates the relationship between Ethical Climate and Employees' Affective Commitment.	.000	.574 .693	.388 .506	10.757 14.025	Partially Mediation
H4b	Trust in Organization positively mediates the relationship between Ethical Climate and Employees' Performance.	.000	.759 .793	.672 .273	22.731 9.235	Partially Mediation

Discussion and Conclusion

The basic purpose of this study was to examine impact of business ethics (ethical leadership and ethical climate) on employees' attitude and behavior (commitment and performance) working in cellular operators of Pakistan.

This study was conducted to find out the answers of following research questions:

1. Does ethical leadership affect employees' affective commitment and employees' performance?
2. Does ethical climate affect employees' affective commitment and employees' performance?
3. Does trust in organization play intermediary role between business ethics (ethical leadership and ethical climate) and employees' Job affective commitment and employees' performance?

To answer these research questions, this study with the help of correlation and regression analysis, tested the 10 hypotheses. The results showed that trust in organization partially mediates the relationship between business ethics (ethical leadership and ethical climate) and employees' affective commitment and employees' performance. The discussion on these findings is as follows:

First, the empirical results show that ethical leadership and ethical climate have direct and through trust in organization have indirect

relationships with employees' affective commitment and employees' performance.

These results endorse the findings of prior researches (Aydin and Kepenekci 2008; Brown et al. 2005; Libby 2001; McFarlin and Sweeney 1992; Neubert et al. 2009; Piccolo et al. 2010; Resick et al. 2011; Ruiz and Martinez 2011; Victor and Cullen 1987, 1988) which implied that business ethics (ethical leadership and ethical climate) and trust in organization (Aryee et al. 2002) relationships may be regarded as the most important constructs to understand in order to explain and to predict the positive attitudes and behaviors of the employees in the organization. Specifically, to facilitate commitment and performance, employees need to be at least in an ethical working environment coupled with ethical leadership and ethical climates procedures and policies that are implemented by ethical leaders with an aim to enhance high quality leader member exchange with their followers that in return demonstrate their positive work place attitudes and behaviors by placing trust in organization.

Second, these findings also endorse the perspective of social exchange. This follows from the possibility that employee positive work place attitudes and behaviors may be a product of social exchange among the employee and organization. For example, commitment and performance in current study can be taken as the consequence of a social exchange process in which employees perceive the organization's

care and respect as consequence of ethical leadership and ethical climate. Combining prior research on social exchange with the current results suggests that the role of social exchanges should not be ignored in evoking the employees' positive work place attitudes and behaviors. Thus from a social exchange perspective, each components of business ethics inspires a social exchange relationship and have significant, unique relationships with a variety of commitment and job performance attitudes and behavior in addition to trust levels.

Finally, although, Mayer et al.'s (1995) model put trust as the most proximal predictor of risk taking and related outcomes. Other models view trust as a proximal antecedent of a variety of job performance behaviors, including task performance, citizenship behavior, and counterproductive behavior (Dirks & Ferrin, 2002; G. R. Jones & George, 1998; M. Williams, 2001). Many of those models also predict that trust completely mediates the effects of its antecedents on those outcomes (Kee & Knox, 1970; Mayer et al., 1995; Ross & LaCroix, 1996; M. Williams, 2001). However, that structure contradicts theorizing in the literature on social exchange. Therefore, this study proposed and tested that trust in organization partially mediates the relationship between business ethics components and its consequences i.e. ethical leadership and ethical climate each has significant and direct relationship with employees' affective commitment and employees' performance . Thus findings of mediation analysis confirmed the social

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exchange perspective that each components of business ethics i.e. ethical leadership and ethical climate stimulates a social exchange relationship and have significant, unique relationships with employees' affective commitment and employees' performance in addition to trust levels on organization.

Theoretical Implications

This study provides first empirical evidence from cellular operators of Pakistan that provide the supportive and significant relationships between business ethics (ethical leadership, and ethical climate) and employees' affective commitment and employees' performance directly and indirectly through trust in organization. The results of partially mediating model of employees of cellular operators of Pakistan suggest that ethical leadership and ethical climate may be important even aside from their trust-fostering role, in two respects. First, ethical leadership and ethical climate had significant, unique relationships with attitudinal and behavioral outcomes even when trust in organization was considered simultaneously. For example in partially mediating model, ethical leadership, ethical climate and ethical climate had incremental effects on employees' affective commitment and employees' performance .

Managerial Implications

Ethical management deals with technical, financial and legal aspect of a business and it also recognizes and manages the values that operate at the heart of any enterprises or organization. In fact, these values adopted by an organization can be for good or for ill and they can contribute to the organization's ability to achieve its objectives or they can act as a hindrance for the organization. Specifically, these values can affect employees who play a pivotal role in sustaining a competitive edge in today's dynamic environment. The results of this study suggest that in order to increase employees' affective commitment and employee's job performance, the managers should develop ethical environment in terms of ethical leadership, ethical climate. By providing ethical leadership coupled with strong ethical climate, top management can create strong exchange relationships with employees that reciprocate in shape of denoting high performance along with satisfaction to their work and emotional attachment to their organization. Finally, the results suggest that trust in organization is another avenue to be given strategic importance by the decision makers of the cellular operators of Pakistan. Employees wishes to be vulnerable to the actions of the organization, if top management treated them trustworthy. This trustworthiness on the part of organization can transmit the positive effects of ethical leadership and ethical climate on

employees' affective commitment and employee's job performance dynamically.

Research Limitations and Future Research

The limitations of this study would become the focus of future studies. Our target population was based on the employees working in cellular operators of Pakistan. However, using convenient sampling technique, sample was drawn from the employees of cellular operators working in 4 big cties of Pakistan and rests of the cities were totally ignored. Therefore, sample cannot be regarded as a representative sample of whole population. So the future study may target the bigger sample of employees of cellular operators in all over the Pakistan. Another limitation of this study is that all the data were obtained through survey items measured in terms of Likert-based scale which might create a mono-method bias that may ultimately decrease the validity of the study. Therefore, future research may incorporate mixed methods both quantitative with structured interview and qualitative with semi structured interview in a single study. Moreover, another possible limitation is that the nature of data is cross sectional and since the perceptions of the employees on business ethics for a cellular operators may change over time, therefore, in future longitudinal studies incorporating diary perspective instead of snapshot may be undertaken to generalize the research findings more vigorously. Finally, there is a need to analyze the role of business ethics in other service and

manufacturing sectors like banks, information and communication companies, hospitals, pharmaceuticals and textile etc. with other dimensions of Business Ethics including general business ethics, marketing ethics, sales ethics, production ethics, finance ethics, accounting ethics etc.

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