

ETHICAL CLIMATE AND EMPLOYEE PERFORMANCE



NISSANKA MUDIYANSELAGE NIROSHA PRIYADARSHANI NISSANKA

1709



FCv1709



Project Report
Library - IEUSL

DEPARTMENT OF MANAGEMENT
FACULTY OF COMMERCE AND MANAGEMENT
EASTERN UNIVERSITY, SRI LANKA

2016

ABSTRACT

This study attempts to examine the impact that exists between the different variables of ethical climate and employee performance among employees in the context of the some selected garment factories in Welimada Division. It also sets to ascertain if those related factors in ethical climate can cause employee performance among employees there by impacting on their career excellence. According to literature review, Ethical Climate has three major dimensions, such as egoism climate, benevolence climate, and principled climate and also two dimensions for Employee Performance such as task performance and contextual performance.

In accordance with literature review and observation there are literature and empirical knowledge gaps regarding the relationship and impact between ethical climate and employee performance. This study was conducted to fill these gaps with seven objectives of the garment sector in Welimada Division.

The questionnaire is sent to a sample of employees from Badulla district two (D.S.K. Apparel (Pvt) Ltd & M.G.S. Garment (Pvt) Ltd) garment factories. There are 193 useable responses. The 26 items of ethical climate questionnaire, developed by Bart Victor and John Cullen (1988) was the instrument used to evaluate the ethical climate and 14 items of individual employee performance questionnaire, developed by Bernardis & Vincent (2016) was the instrument used to evaluate the employee performance in garment factories. Data were analyzed by using univariate and bivariate analyses. The major findings of the study revealed that Ethical Climate affect significantly and positively employee performance at garment factories in Welimada Division. The findings of this study are useful in further enlarging and enriching applications of these concepts in practice. Employees who work in ethical environment will be more effective with their job and more loyal than employees who work in an unethical environment.

Key Words: Ethical Climate, Employee Performance, Egoism Climate, Benevolence Climate, Task Performance, and Contextual Performance.

Table of Contents

	Page No.
Acknowledgement.....	I
Abstract.....	II
Table of Contents.....	III
List of Tables and Figure.....	VIII
Chapter - 1 Introduction.....	1-7
1.1 Background of the Study.....	1
1.2 Research Problem Statement.....	3
1.3 Research Questions.....	3
1.4 Research Objectives.....	4
1.5 Scope of the Research.....	5
1.6 Significance of the Study.....	5
1.7 The Organization of the Chapter.....	6
1.8 Chapter Summary.....	7
Chapter - 2 Literature Review.....	8-23
2.1 Introduction.....	8
2.2 Definition of Ethical Climate.....	8
2.3 What is the Impact of Ethical Climate and Culture?.....	10
2.4 Ethical Climate Dimension.....	10
2.4.1 Dominated Ethical Criterion.....	11
2.4.1.1 Egoism Climate.....	11
2.4.1.2 Benevolence Climate.....	11
2.4.1.3 Principle Climate.....	11
2.4.2 Analysis Level.....	11
2.4.2.1 Individual Analysis Level.....	11
2.4.2.2 Local Analysis Level.....	12
2.4.2.3 Cosmopolitan Analysis Level.....	12
2.5 Theoretical Ethical Climate Types.....	12
2.6 Ethical Climate Types According to Interest Intensity.....	12
2.6.1 Caring.....	12
2.6.2 Law and Codes.....	12

2.6.3 Rules.....	13
2.6.4 Instrumentalism.....	13
2.6.5 Independence.....	13
2.7 Factors Creating Ethical Work Climate	14
2.7.1 The Role of Leadership.....	14
2.7.2 The Role of Socialization	15
2.7.3 The Role of Effective Corporate Ethical Code.....	15
2.8 Issues in Ethical Climate	15
2.9 Organizational Climate and Deviant Workplace Behavior	16
2.10 Ethical Leadership and Organizational Climate	17
2.11 Consequences of Ethical Climate	18
2.12 Employee Performance	19
2.13 Performance as a Multi-Dimensional Concept	19
2.13.1 Task performance.....	20
2.13.2 Contextual Performance.....	21
2.14 Relationship between Ethical Climate and Employee Performance ...	22
2.15 Summary.....	23
Chapter 3- Conceptualization And Operationalization.....	24-28
3.1 Introduction	24
3.2 Conceptualization.....	24
3.3 Conceptualization Framework.....	24
3.4 Ethical Climate and Dimensions of Ethical Climate	25
3.4.1 Ethical Climate	25
3.4.2 Egoism Climate	25
3.4.3 Benevolence Climate.....	25
3.4.4 Principled Climate	25
3.5 Employee Performance & Dimensions of Employee Performance ...	25
3.5.1 Employee Performance.....	25
3.5.2 Task Performance.....	25
3.5.3 Contextual Performance.....	26
3.6 Hypothesis of the Research	26
3.7 Operationalization	26
3.7.1 Operationalization for Ethical Climate.....	27

3.7.2	Operationalization for Employee Performance.....	28
3.8	Summary	28
	Chapter 4-Methodology.....	29-35
4.1	Introduction.....	29
4.2	Type of Investigation	29
4.3	Extent of Researcher Interference with the Study	29
4.4	Study Setting	29
4.5	Unit of Analysis	29
4.6	Time Horizon	30
4.7	Sample Size, Sampling Distribution and Sample Methods	30
4.8	Survey Instrument Development	30
4.9	Data Collection Method	31
4.10	Methods of Data Presentation and Analysis.....	31
4.11	Method of Data Evaluation	32
4.11.1	Univariate Analysis	33
4.11.2	Bivariate Analysis.....	33
4.11.2.1	Correlation Analysis.....	34
4.11.2.2	Simple Regression Analysis.....	35
4.12	Summary.....	35
	Chapter 5-Data Presentation and Analysis.....	36-55
5.1	Introduction	36
5.2	Reliability Test	36
5.3	Response Rate	37
5.4	Personal Information	38
5.4.1	Sample Distribution for Factories.....	38
5.4.2	Gender.....	38
5.4.3	Age.....	39
5.4.4	Civil Status.....	39
5.4.5	Educational Qualifications	39
5.4.6	Experience in the Work Place (Year).....	40
5.4.7	Current Employment Position.....	40
5.5	Research Information	41
5.5.1	Univariate Analysis.....	41

5.5.1.1 Ethical Climate.....	41
5.5.1.1.1 Egoism Climate.....	42
5.5.1.1.2 Benevolence Climate.....	43
5.5.1.1.3 Principled Climate.....	43
5.5.1.2 Employee Performance.....	44
5.5.1.2.1 Task Performance.....	44
5.5.1.2.2 Contextual Performance.....	45
5.5.2 Bivariate Analysis.....	46
5.5.2.1 Correlation Analysis.....	46
5.6 Relationship between Ethical Climate and Employee Performance ...	47
5.6.1 Correlation Matrix.....	47
5.6.2 Simple Regression Analysis.....	48
5.6.2.1 Regression Analysis- The Impact of Ethical Climate and Employee Performance.....	48
5.6.2.1.1 Regression Analysis-Egoism Climate and Employee Performance.....	51
5.6.2.1.2 Regression Analysis-Benevolence Climate and Employee Performance.....	51
5.6.2.1.3 Regression Analysis-Principled Climate and Employee Performance.....	51
5.7 Hypotheses Testing.....	52
5.7.1 Testing Hypothesis 1.....	52
5.7.2 Testing Hypothesis 2.....	53
5.7.3 Testing Hypothesis 3.....	53
5.7.4 Testing Hypothesis 4.....	54
5.8 Chapter Summary.....	55
Chapter 6-Discussion Of Findings.....	56-62
6.1 Introduction.....	56
6.2 Summary of the Personal Information.....	56
6.3 Summary of the Findings on Ethical Climate.....	57
6.4 Summary of the Findings on Employee Performance.....	58
Relationship Between the Dimensions of Ethical Climate and	
6.5 Employee Performance.....	59

6.6	Impact of Ethical Climate on Employee Performance.....	59
6.7	Summary of the Hypothesis Results.....	61
6.8	Summary.....	62
Chapter 7-Conclusion And Recommendation.....		63-65
7.1	Introduction.....	63
7.2	Conclusion.....	63
7.3	Recommendations.....	64
7.4	Limitations and Suggestion for Future Study.....	65
References.....		66-73
Appendix-01		
Questionnaire.....		74-77