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## **The Mediator Effect of Ethical Climate on the Relation between Ethical Leadership and Organizational Commitment**

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### **Abstract**

The concept of ethics should become a part of organization culture and is needed to be internalized by all employees. Organizational climate is a result of organizational culture and reflects the management style. For this reason, the acts of the leader could create ethical climate and consequently, commitment takes place among employees. In this article, a conceptual model was created to test the relationship between organizational commitment, and ethical leadership and ethical climate. Mediator role was analyzed in a relation between organizational climate, ethical leadership and organizational commitment by the hierarchical regression method. As a conclusion, this relation is found statistically significant.

**Key Words:** Leadership, Ethical Leadership, Ethical Climate, Organizational Commitment, Ethics

**JEL Classification Codes:** M14, M12

### **1. Introduction**

The organizational problems in contemporary organizations are becoming more complicated. This causes that the classical managerial perspective in problem solving are actually insufficient. Therefore, In this complicated environment, managers need leadership skills. A leader is defined as one who can change the needs and expectations of their followers; can set meaningful goals for them, and gives a vision to the organization. Thus, a

leader does radical changes on the organization culture. Organization climate, a concept that is born as a result of the organization culture, is an element that determines the success of the organizations, since a negative one would be damaging the organization as a whole, such as degenerating the devotion of the employees.

Leader's ethical attribute is one of the most important factors on the organization culture, e.g.: how it reflects on the employees, how the organizational climate is founded, etc. In that respect, the environment the leader is grown, social knowledge and ethics, experience, character, habits, behaviors and subsequently acquired talents, knowledge and experiences are the main aspects that constitute and construct a leader.

A leader that implements and constitutes an ethical environment inside an organization has not an impression as a strong and positive, follow-worthy leader, but also implements an ethical climate perception to the employees in order to increase their performance efficiently and effectively. The effective implementation of ethical leadership aspect in terms of ethical climate environment provides individual motivation and devotion to the corporation, increases individual performance, making each individual feel useful and helpful to the corporation. Therefore, leadership and ethics cannot be handled separately.

This study aims to explain the affects of ethical leadership style on the organizational commitment in case of ethical climate occurrence. In this study; a cognitive model is developed in order to examine the relation between organizational commitment and ethical leadership, and ethical climate. Hierarchical regression method is used in order to understand the mediator effect of ethical climate on the relation between ethical leadership and organizational commitment.

## **2. Conceptual Framework**

The conceptual framework of this study consists of the concepts of leadership, ethics, ethical leadership, ethical climate and organizational commitment.

### **2.1. Leadership**

The notion of leadership has been investigated for the past years and dates back to further history, and is related to many science fields. Therefore, it is defined by many researchers. As these definitions are investigated; the

description of leadership is seen as follows: the process of affecting activities of an individual or a group activity; gathering individuals together and obtaining sustainability of the group and purposes, in order to achieve a common goal. Affecting individuals to take accurate steps towards the organizational goals can be achieved by means of the proper usage of leadership strengths and powers. A leader should affect the group they work with, provide their needs, and develop a directing attitude (Wright & Quick, 2011).

A leader is a person who organizes a group of employees to cooperate and work as a team towards a common goal. They also should give a positive and trustworthy impression to the environment whilst doing what is expected from them. They should have a visionary attribution, analyze the present and the future correctly; distinguish both the ups and downs of the past and the present (Partlow, Medeiros, & Mumford, 2015).

A leader's attributes, characters, behaviors towards incidents, values, past experiences and present environment has the impact over their leadership style. However, these are not the only aspects that affect their actions and styles. The structure of the organization, qualifications of the people, individual values, attitudes towards various cases and group interactions act on it as well (Manfred, 2007).

A leader's success is associated with their ethical values and their ability of implementation of corporational culture over their organization effectively. It is known that many ethical behaviors are based on moral standards. In that respect, having a lifestyle in the light of moral standards, caring about morality, rewarding the achievements of employees and sensitive behaviors shall constitute the main aspects of leadership. Leaders associated with ethical values are defined as someone who are protective over their employees, treats them fairly, looks after the rights of individuals, cares about both health and safety measures of them, and implementing all of these positive attributes over their actions. A leader who approaches their organizations with adopting these traits gets positive feedbacks and high performance in return (Kwantes & Boglarsky, 2007).

## **2.2. Ethics**

Having individuals live together as a community with peace and health needs the rules of ethics and moral codes. Any corporation aiming to have a healthy and sustainable life should follow the rules of ethics. The

corporations that achieve said harmony and coherence, have the moral codes and are honest, display a positive image and gain the trust of people. In that perspective, not only the leaders, but also the employees, organization companions, providers, everyone in the organization should behave in accordance with the ethical codes. Corporations that embody ethical values help the development of a sense of responsibility and an active corporation culture. Leaders that inherit ethical awareness influence their employees on the same sense as well, thus, constructing a sustainable organization. In long term, corporations yield increase in efficiency, high performance, increase in individual responsibilities, ease of problem solving on a personal basis, edge over rivals with avoiding unethical behaviors. Despite having various scandals, corruptions, improprieties in today's world affecting the settlement of ethical values in a negative way, the management should gain control over the corporation in order to handle human resources from the basis in terms of implementing ethical apprehension. Human resources play a critical role on the progress of the corporation (Barutçugil, 2004).

Ethics is a concept which defines what is right and wrong on many topics and is closely related to morals and value notions. It brings alternative solutions to business related problems and leads the decision-making processes of individuals in many cases. The main feature that distinguishes ethics from morality is that individuals prioritize morality, and expect ethical codes not to interfere with morality. In businesses, morality is seen as a society regulating concept, whereas ethics are accepted as more of an organizational must. Ethical rules might show diversity and differences with time. However, the only aspects that universally stay the same are as follows: integrity, honesty, fairness, objectiveness, and taking responsibility (Ambrose, Reynolds, & Schminke, 2011).

Every action an individual takes gives away information about the existence of ethics and how it has been generated. Ethics has solely been referred to politics and leader's moral structures in the past. The word "ethics" is covered furthermore recently, and is being explored differently in the west; both behaviors and ethical values are investigated elaborately. According to this, the concept of ethics is evaluated in two different meanings. The first of which is ethical values, referred as customs, applied rules, and them turning into routines is defended. Ethical values regulate actions of individuals according to accepted customs and rules. The second one is defined as follows: a person that researches the social values of their environment,

accepted behaviors, using them with avoiding confliction with the moral codes, and rendering ethical principles into a lifestyle (Baker, Hunt, & Andrews, 2006).

### **2.3. Ethical Leadership**

Financial wrong doings in the past revealed the importance of ethics and ethical leadership in businesses. Despite there is no explicit definition of ethical leadership, researchers generally relate it as a leader has a correct and well character. In that respect, some of the definitions of researchers are as follows: Individual actions are affected by inter-individualistic relations according to ethical rules, with the support of other individuals, and moving accordingly (Brown, Trevino and Harrison, 2005). The basis of ethical leadership consists of fair and moral behaviors, according to Brown (Palanski & Yammarino, 2009).

An ethical leader is a person who is loyal to principles and values and has ethics both in personal and business life as a guideline, and can influence employees in the organization with their attitude. Ethical leaders create an ethical perception on individuals in terms of inheriting ethical values through exhibiting ethical behaviors, ethical standards and regulations. With representing exemplary behaviors, implementing rules and regulations, creating a perception leads to an ethical climate; employees would cooperate, believe the existence of mutual values and thus ethical leadership shall prove its importance (Langvardt, 2012).

Primary mission of ethical leadership is to realize faulty implementations and standing against unethical ones and preventing them. As frequently seen in daily life, individual controversies, conflicts of interest, false applications and failure of organizational integrality represents the importance of ethical values and leadership applications each and every day. Ethical leaders respect rules, regulations and applications that are necessary in a corporation. Importance of honesty in ethical leadership is strictly highlighted. A leader's approach towards instances should be honest, sincere and mature. With the help of these attributes, they should be able to earn the trust of other individuals of the organization. Many diverse opinions about what ethical leadership attributes should be have been formed by many researchers to this day. The consensus on the leader is honorable, idealistic, honest, and ables to reflect it to others and give a positive impact (Wright & Quick, 2011).

In this study, in order to measure the magnitude of ethical leadership, a scale, consisting of 13 questions and developed by Brown, Trevino and Harrison (2005) is used.

#### **2.4. Ethical Climate**

Ethical climate implies that business and applications are done by taking account of ethical values in organization and there are several decisive factors play role on creating ethical climate. These factors are norm, culture, ethical standards and applications. Understanding, adopting, and applying the ethical values by the employees is a sign for that ethical value is accepted by the climate which adopted by employees. Acceptance of the ethical climate not only depends on ethical standards, but also it depends on various fixed factors such as individual's personal, cultural, moral and beliefs (Oğuzhan, 2015).

The ethical rules shared in organization should be the subject when it comes to organizational harmony. Personal behaviors should be influenced by ethical values (Schwepker, 2001).

The determinants of the ethical climate are quality of the organization and personal behaviors. The correct evaluation of the ethical perception by the employees of the organization affects them to search for the solution of the problem. Individuals understanding the operational processes in the workplace and feeling the ethical climate is a result of the climate. Ethical climate is not independent from the organizational culture (Schminke, Ambrose, & Neubaum, 2005).

In this study, a scale consists of seven questions and developed by Schwepker (2001) is used in order to measure the magnitude of ethical climate.

#### **2.5. Organizational Commitment**

Sustainability of organizational success is related to organizational commitment. From past to present, organizational commitment has been a subject of many researchers. Organizational commitment and working relation, individuals having higher performance with organizational commitment, having impact on honest and right behaviors and so on, aroused considerable interest on researchers enough to lean on this topic. A research carried by Howard Becker in 1960 indicates that, employees with organizational commitment who quit their jobs with reasons such as personal

interests lose benefits more than the ones without it. Another research suggests that organizational commitment is a psychological phenomenon. To obtain such commitment is only possible with an individual adopting the corporation and embracing the corporation values. There are many definitions on organizational commitment. Schermerhorn defines it as "an individual having a positive relationship with the organization and feeling themselves as a part of the organization". Another definition suggests that individual concretes with the organization and feeling powerful under that identity (Schermerhorn, Osborn, Bien, & Hunt, 2012).

In terms of psychology, organizational commitment is defined as feeling leading the employee to embrace organizational goals. Organizational commitment improves performance level drastically. Causing this commitment is proportional only to the desire of working at the organization. Individual shows interest in embracing the corporation goals and purposes only if they want to work there. Organizational commitment is defined as an emotional devotion. There are three main elements that provides a healthy organizational commitment basis; overlapping interests of both individuals and organizations, the duties of an individual being done by them with desire, and being and staying as a member of the organization. An organizationally loyal employee shall rise faster than others, and be fully satisfied in terms of self-actualization (Ng, 2015).

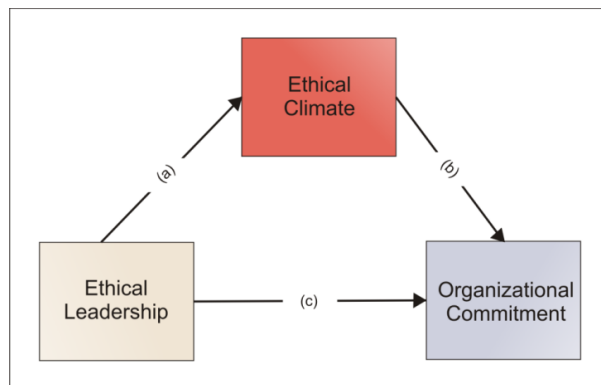
Organizational commitment expresses an individual's psychological relation to the corporation. There are many definitions of many researchers on this topic. Researchers have had approached to the subject with different disciplines since they all had different individual perspectives. According to a study carried by Etzioni in 1961, organizational commitment is an individual's embracing of organization goals and purposes considering moral codes, and acting accordingly. Organizational commitment is integrating employees with the corporation (Modway, Porter and Steers, 1979). According to them, individual should inherit the organization goals before all else, should work for those goals, and should maintain their commitment to the corporation. Many researches conclude as organizational commitment is related to work commitment, since organization basically is the work environment of the individual. Which leads to the point; the necessity of a healthy work environment in order to yield organizational commitment from employees, who care about their duties, feeling the need to be sustainable for the corporation, thus staying motivated (Taşkıran, 2007).



In order to measure the magnitude of organizational commitment, a five question scale developed by Allen&Meyer (1993) is used.

### 3. Research Model and Hypothesis

This research was conducted on 200 employees working in 5 companies doing business in health, public and education sectors in Istanbul. 171 valid questionnaire were used for the analysis. This research mainly seeks an answer following research question: Does ethical climate (EC) play a mediator role on the relation between ethical leadership (EL) and organizational commitment (OC)? In order to designate this relation mediator variable analysis method suggested by Baron and Kenny (1986) was used. As shown in Figure 1. The research model is based on the following relations: EL and EC have direct influence on dependent variable (OC) individually (c and b). Additionally independent variable (EL) has a direct influence on mediator variable (EC) (a). Figure 1. shows the conceptual model regarding the mediator effect of EC on the relation between EL and OC.



**Figure 1. Research Model**

Consequently four hypotheses were derived from the research model as shown on the Table 1.

**Table 1. Hypothesis**

H <sub>1</sub>	EC (Ethical Climate) is positively influenced by EL (Ethical Leadership)
H <sub>2</sub>	OC (Organizational Commitment) is positively influenced by EC (Ethical Climate)
H <sub>3</sub>	OC (Organizational Commitment) is positively influenced by EL (Ethical Leadership)

H <sub>4</sub>	EC (Ethical Climate) has mediator effect on the relation between EL (Ethical Leadership) and OC (Organizational Commitment)
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### 3.1. Analysis Results

Baron and Kenny method firstly require primary relation among the variables shown in the model. Therefore Pearson correlation coefficients have been calculated. As shown in the Table 2. relations among variables are statistically significant.

**Table 2. Correlation Coefficients**

		EL	EC	OC
EL	Pearson Correlation	1	,265*	,205*
	Sig.		,000	,006
EC	Pearson Correlation	,265*	1	,448*
	Sig.	,000		,000
OC	Pearson Correlation	,205*	,448*	1
	Sig.	,006	,000	

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

Baron and Kenny suggested the existence of following conditions in order to prove a variable as mediator (Baron & Kenny, 1986);

- Change in the independent variable cause the mediator variable to change,
- Change in the mediator variable cause the dependent variable to change,
- When the mediator and the independent variables are included to the analysis together, the influence of independent variable on dependent variable to decrease or completely disappear. Hierarchical regression was used in order to test the model. Regression equations are as follows:

$$(a)EC= \beta_0 + \beta_1.EL + \varepsilon$$

$$(b)OC = \beta_0 + \beta_1.EC + \varepsilon$$

$$(c)OC = \beta_0 + \beta_1.EL + \varepsilon$$

$$(c')OC = \beta_0 + \beta_1.EL + \beta_2.EC + \varepsilon$$

**Table 3. Model Summaries**

Model	R	R <sup>2</sup>	Adjusted R <sup>2</sup>	Standard Error of the Estimate
(a)	,265	,070	,065	1,19767
(b)	,448	,200	,196	1,00716
(c)	,205	,042	,037	1,10238
(c')	,458	,208	,199	1,00500

According to the results of the regression analysis model summaries are shown in the Table 3. As shown in Table 3, difference between R<sup>2</sup> value of Model (c) and R<sup>2</sup> value of Model (c') was found as 0,166.

**Table 4. Anova Test Results**

Model		Sum of Squares	df	Mean Square	F	Sig.
(a)	Regression	18,899	1	18,899	13,176	,000
	Residual	249,586	174	1,434		
	Total	268,486	175			
(b)	Regression	44,226	1	44,226	43,600	,000
	Residual	176,500	174	1,014		
	Total	220,726	175			
(c)	Regression	9,275	1	9,275	7,632	,006
	Residual	211,451	174	1,215		
	Total	220,726	175			
(c')	Regression	45,992	2	22,996	22,767	,000
	Residual	174,735	173	1,010		
	Total	220,726	175			

All the models are significant as shown in the Table 4. These results means that a, b, c, c2 regression modals are generally significant. Because coefficients of independent variables are different from zero. Coefficients of the models are as shown in Table 5.

**Table 5. Coefficients**

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		$\beta$	Std. Error	$\beta$		
(a)	Constant	3,329	,374		8,896	,000
	EL	,266	,073	,265	3,630	,000
(b)	Constant	2,884	,296		9,757	,000
	EC	,406	,061	,448	6,603	,000
(c)	Constant	3,847	,344		11,167	,000
	EL	,186	,067	,205	2,763	,006
(c')	Constant	2,570	,379		6,784	,000
	EL	,084	,064	,093	1,322	,188
	EC	,384	,064	,423	6,029	,000

As shown in Table 5., the change in the independent variable causes the mediator variable to change. The change in the mediator variable causes the dependent variable to change. After the mediator and the independent variables are included to the analysis together, the influence of independent variable on dependent variable to decrease. Consequently all the hypotheses are accepted.

## CONCLUSION

In today's world, the healthy and sustainable life of an organization depends on its harmony with ethical codes. The concept of ethics should become a part of organization culture and it is needed to internalize by all employees. With this respect, however, ethical climate could be created in the organization. Leader is responsible for constitution of culture of organization, although, it can be created by the leader. For this reason, the acts of the leader could create ethical climate and consequently, commitment takes place among employees. In this article, a cognitive model was created to test the relationship between organizational commitment, and ethical leadership and ethical climate. With the hierarchical regression method, mediator role was analyzed in a relation between organizational climate, and

ethical leadership and organizational leadership. As a conclusion, this relation is found statistically significant.

In the literature, behavior of ethical leadership affects culture of organization and by this means; there are works which explains emergence of the ethical climate of organization. Also, there are several works which explains that employees working in organizations with the presence of ethical climate have high degree of commitment. In this work, it is thought that there is mediator role in the relation between ethical leadership and organizational commitment and it is found statistically significant. In other words, a leader who acts according to ethical behaviors can not be sufficient for organizational commitment. In order to form commitment, it is necessary to form ethical climate first.

The results of administrative contribution obtained in this work can be summarized in the following sense: leaders who do not give proper attention to ethical values, large-scale problems might be created in the long-run. In most cases, however, the problems might not be seen and distinct. Leaders who shows unethical behaviors, they might achieve success in the short-run, although, in the long-run they jeopardize the organizational culture and consequently they create an unethical environment of ethical climate. Thus, because of these leaders weakened the commitment, cycle rate of labor force is increased. This means irreparable damage for the organization in the long run. From this perspective, the leader is both the most uncontrollable element in an organization, and easily pickable one. The mechanisms used whilst selecting a leader should be revised thoroughly, and excessive measures should be taken if necessary in case of unethical behaviors. Both external and internal mechanisms are eligible for such cases. However, it is profitable and preferable to have an internal solution mechanism.

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