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Business Ethics and Employees' Outcomes: An Empirical Study of Cellular Operators of Pakistan

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ABSTRACT

This study examines the impact of ethical leadership and organizational fairness on employees' affective commitment and employees' job performance. Data were collected from the cellular operators working in Pakistan namely Mobilink, Ufone, Telenor, Zong and Warid through questionnaire from 518 employees working in regional and head offices of cellular operators at Islamabad, Lahore, Faisalabad and Multan. The study reported the results of preliminary, correlation and regression analysis by using SPSS. These results indicated that the ethical leadership and organizational fairness has direct and indirect impact through trust in organization on employees' affective commitment and employees' job performance. This showed a partial mediation of trust between business ethics and employees' out comes. Therefore, this study recommended to the stakeholders of companies in Pakistan to adopt this model for their improvement and progress

Introduction

The growing publicity of ethical issues has become a highly relevant topic for the management of organizations particularly in 21st

century (Mendonca & Kanungo, 2007; Halinen & Jokela, 2016). In a Post-Enron Era, organizational practitioner has strong motivation to develop their organizational business ethics which attract the attention of researchers to look at the impact of dimensions of business ethics (ethical leadership and organizational fairness) on employees' work outcomes such as commitment and performance (Badrinarayanan, Ramachandran, & Madhavaram, 2017; Bligh, 2017; Mulki, Jaramillo & Locander, 2008). The term organizational commitment become famous required great attention in psychological literature and organizational behavior (Mathieu and Zajac, 2005). 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). This increased the interest of researchers that can be seen in growing telecom operators like Pakistan that are committed to uphold the service mission of "Customer First, Service Foremost". The management of these telecom operators is expecting to maintain the highest ethical standards in their organizations like other business organizations (Brown, & Treviño, 2006). To uphold these ethical standards, these organizations are trying to demonstrate ethical leadership by providing organizational fairness, and trustworthy environment within their organizations which can be seen through their mission statement (Mendonca & Kanungo, 2007). In the extant literature, it is well argued that these ethical standards influence positively on employees' work place attitudes and behaviors.

Like other countries, Pakistan Telecom cellular operators are facing the challenges of business ethics through setting their ethical standards in the changing market environment and competition. Pakistan Telecommunication Authority (PTA) has more than 30% share in Foreign Direct Investment (FDI) and is heading the cellular operators working in Pakistan. These cellular operators' has 119.8 million subscribers and Rs. 363 billion contribution in country's GDP in 2012. Moreover, these Cellular Operators has registered a growth rate of 150% from 2003 to 2012 (PTA, 2012). This rapid growth and high competition in cellular operators of Pakistan indicated that there is need to emphasis on the development of business ethics in order to conduct their daily business affairs. These operators can get benefits from their employees that can generate positive work outcomes through the development and implementation of high business ethics

especially ethical leadership, organizational fairness, organizational trust, affective organizational commitment and organizational performance. Keeping in view the expected benefits, the objective of the current study proposing that Cellular Operators operating in Pakistan should have two dimensions of business ethics: first, e*thical leadership*-knowing and doing what is right, second, o*rganizational fairness*-employees like to be treated fairly (Bello, 2012).

Ethical Leadership

Leadership has been one of humans most devoted pursuits and is the basic sense involves in the process of influence (Yukl, 2010). Previous scholars have defined the concept of leadership in the organizational sciences particularly in organizational behavior, which influences a group of individuals to achieve a common goal (Cullen et al., 2003; Neubert et al., 2009; Trevino et al., 2003; Brown et al., 2005). There are three theories used to explain leadership: trait leadership theory (a situation where some personality traits may lead people naturally into leadership roles), (an important event may cause a person to rise to the occasion, which brings out extraordinary leadership qualities in an ordinary person) and process leadership theory (leadership skills are learnt) (Bass, 1990).

Brown and Trevino (2006) suggested that individual qualities such as moral reasoning, care, and the other qualities should be further researched in ethical context especially in the ethical leadership. In the context of ethical leadership, the concept of attractiveness can be viewed as a function of leader's status and involves the added dimensions of care, concern, and fair treatment 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).

Organizational Fairness

Greenberg (1990) defined "organizational fairness eulogizes work place fairness, particularly employees' consideration of fairness and how efficient treatment affects other employee work related changes (Moorman, 1991). Organizational fairness explains employee's consideration about organization which is based on

employees' self-assessment and evaluation of subjectivity and is based on three factors; namely distributive fairness, procedural fairness, and interactional fairness. It is based on what people presumed to rightness.

Trust in Organization

An employee wants to be treated trustfully and wishes to be vulnerable to their actions of organization. The organization should communicate to their employees through its worker that it can be trusted. Employee working within an organization is important source of information consisted on co-workers that can be explained through the theory of social information processing (Salancik and Pfeffer, 1978). The theory explains that individual's social environment plays a vital role in constructing their attitude and behavior. Therefore, employees assess their co-workers attitude and behavior that are acceptable and arrange their own belief according to their co-workers (Salancik and Pfeffer 1978). Thus, the trust of employees to their coworkers captivated the trust to their organization because the employees regard their coworkers both relatively and socially acceptable. When co-workers made it clear that the actions of organization are beneficial, it will influence employees trust towards working organization.

Employees' Affective Commitment

The scholar has pointed out that organizational commitment indicates individual's attachment with his/her organization, and it can be seen in the relative strangers of individual (Mulki, and Marshall 2005; Staw, 1977). Committed employees come to know their organizational goals and values and also the desire for the membership manning's known as attitudinal commitment. The scholars have explains three from of affective commitment: normative.

Affective commitment is a most important form of commitment with organization which is defined as "an emotional attachment to, identification with, and involvement in the organization" (Meyer and Allen 1984).Affective commitment explains worker's engagement or emotional bond with his/her organization has been considered an important antecedent of positive work outcomes (Mowday, Steers, and Porter, 1979; Rhoades, Linda, Robert,

and Armeli 2001). Affectively committed employees have sense of belongings and identification with their organization which increase their participation and affiliation with their organization and its actions which increase their willingness to stay within an organization for longer period of time. This type of commitment is a psychological commitment which includes inner inspiration and determined or commitment minds. With affective commitment employee can provide benefits to their organization, for example, they can stay their organization because of their own desire which can decreases their turnover (Meyer, Herscovitch, & Topolnytsky2002; Wasti, 2002 Brown and Trevino 2006; Neubert et al. 2009).

Employees' Job Performance

Tsui et al (1997) argued 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. Employee-management relationship increases the employee's performance when they focus on their core tasks and activities. If the employees want to be successful in their organization, it is important for them to increase their performance. To increase employee's performance, it is important to prepare performance plan in well-documented form that must include what is expected from them and include both critical and non-critical elements.

Hypothesis Development and Conceptual Framework

Ethical Leadership and Employees' Affective Commitment

In the extant literature, ethical leadership is supposed to be trustworthy and fair, and committed to their organization (Hartline and Ferrell, 1996; Hartline et al. 2000; Brown & Trevino 2006; Neubert et al., 2009). The study of Brown and Trevino (2006) supported a significant relationship between ethical leadership and affective commitment. Another study of Berrone et al., (2007) argued leader ethical behavior is important for employee's commitment to their organization. Thus, based on the above mentioned argument s and empirical support, this study proposed the following hypothesis:

H1: There is a positive relationship between ethical leadership and affective commitment.

Ethical Leadership and Trust in Organization

Trust is a key aspect to strengthen the relationship and building successful working relationships between leaders and workers that facilitates collaboration, helps to manage transformations, encourages knowledge sharing, and increases sincerity (Argyris, 1970; Den Hartog, 2003; Dirks & Ferrin, 2002; Lane, 1998; Mayer et al., 1995; Shapiro, 1987; Tsai & Ghoshal, 1998; Zucker, 1986). There are studies that supported a significant positive relationship between ethical leadership and employees trust to their organization (Van den Akker, Heres, Lasthuizen, & Six, 2009). Therefore, based on the results of empirical studies, this study proposed the following hypothesis:

H2: There is a positive relationship between ethical leadership and trust in organization.

Ethical Leadership and Employees' Job Performance

Employee working in an organization is considered as important human resource for organization, without employees, the organizations cannot achieve its goals and objectives. Extant literature shows a vital and significant influence of the ethical leaders for the success of job performance (Piccolo, et al., 2010, Resick et al., 2011, Ruiz and Martinez, 2011). For instance, Piccolo, et al. (2010) suggested that leaders with vital commitment can affect the tasks significance and autonomy of job characteristics model and individuals wish to make extra struggle on work performance. When the leaders fail to follow the role, it is called un-ethical, failure to take responsibility and to avoid impropriety (O"Connell and Bligh, 2009). The study of Toor and Ofori (2009) reveals that ethical leadership plays a role in creating relationship between employees work outcomes. Extant literature has demonstrated a relationship between ethical leadership and employee's work outcomes such as job performance, ethical leaders have eye-catching and appropriate role model that grasp their workers attention and they help and influence on the achievement of their performance related goals (Brown et al. 2005). Precisely, it is claimed that ethical leaders have a positive impact on Employees' Job Performance because they explain to their workers the right thing is to

do on their jobs (De Hoogh and Den Hartog 2008).Therefore, this proposed the following hypothesis that:

H3: There is positive relationship between ethical leadership and job performance.

Organizational Fairness and Employees' Affective Commitment

Dubinsky and Levy argue that organizational fairness indicated through pay rules, task-distribution and pay level are associated with organizational commitment. In the same way, Steers & Porter (1979) informs that fairness the form of equity of pay increase the employees' organizational commitment and their cooperative with their co-workers. Another study of Sheppard, Lewicki, and Minton (1992) argue that managerial concern through distributive fairness is an important determinant of organizational commitment and other behavioral outcome. Organizational fairness relates to critical organizational process e.g., performance, job satisfaction. The past research show meaningful organizational outcomes with good understanding of fairness flourishes good relation among subordinates with supervisors in form of increasing trust (Maiga and Jacobs, 2007) and a fine relation among employees and organization such as organizational commitment (Wentzel, 2002; Maiga and Jacobs, 2007). Thus, this study proposed the following hypothesis that:

H4: There is a positive relationship between organizational fairness and employee's affective commitment

Organizational Fairness and Trust in Organization

Previous studies indicate that meaningful organizational outcomes with good understanding of fairness flourishes and increase the quality of relationship at both horizontal and vertical level such as relationship among the subordinates and supervisors in form of increasing their trust (Maiga and Jacobs, 2007). In the extant literature, trust has been examined as a mechanism in the process of organizational justice and work outcomes (Konovsky & Pugh, 1994; Pillai, Schrieshei, & Schriesheim 1999). Therefore, good understanding of fairness within an organization increased their trust in organization that provides better understanding of its employees

towards their work. Based on above discussion and empirical support, this study proposed the following hypothesis:

H5: There is a positive relationship between organizational fairness and organizational trust.

Organizational Fairness and Employees' Job Performance

Organizational fairness is related with the positive affaires regarding organizational employee's working within an organization that in turn effect on their behavior and attitude. Individual have positive attitude if they think that their organizational affairs are based on fairness (Magner et al., 1995). All these ideal fairness provide favorable effect on employees in performing their tasks that are the source of motivation for employees in increasing their job performance. Extant literature reveals that fairness leads to increase motivation and enhances the individual job performance (Libby, 1999; 2001). Therefore, based on the above mentioned discussion, this study proposed the following hypothesis:

H6: There is a positive relationship between organizational fairness and employee's performance.

Mediation of Trust in organization

The direct relationship between ethical leadership and affective commitment or general commitment is supported by empirical studies (Brown &Trevino, 2006). There are studies that examined the relationship between ethical leadership and organizational trust (Van den Akker, Heres, Lasthuizen, & Six, 2009). Another stream of studies examined and found a positive relationship between organizational trust and affective commitment (Geyskens, Steenkamp, Scheer, & Kumar, 1996; Spiros. 2005). The direct relationship between ethical leadership and affective commitment (Brown and Trevino, 2006; Hartline et al., 2000; Hartline and Ferrell, 1996) and indirect relationship through organizational trust indicated that organizational trust mediates in the relationship between ethical leadership and affective commitment. Therefore, this study proposed the following hypothesis:

H7s: Trust in organization mediates in the relationship between ethical leadership and employees' affective commitment.

In the recent studies, trust in organization creates relationship among business ethics, and individual's affective commitment, their performance and job satisfaction. The study of Aryee et al., (2002) examined and found that the mediation of organizational trust between organizational fairness and work outcome through measuring their job satisfaction. There are studies that have found significant influence of the ethical leader's successful job performance of workers (Piccolo, et al., 2010, Resick et al., 2011, Ruiz & Martinez, 2011). Results show that organizational outcome is not directly outcome of business ethics; it is also delivered from different modes such as business ethics can be channelized by the system of trust in organization which inspired employee commitment, job satisfaction and performance. Therefore, this study proposed the mediation of trust in the above mentioned process:

H8: Trust in organization mediates the relationship between ethical leadership and Employees' Job Performance.

Past research indicated that good understanding of fairness superfluities good relation among the subordinates with supervisors in form of increasing their commitment with their organization (a 2002; Maiga & Jacobs, 2007). Previous studies also found a significant positive relationship between organizational fairness and trust on organization (Konovsky & Pugh, 1994; Pillai, Schrieshei, & Schriesheim 1999). There are studies that found a positive relationship between trust and affective commitment (Geyskens, Steenkamp, Scheer, & Kumar, 1996; Spiros. 2005). The results of direct relationship between organizational fairness and affective commitment, organizational commitment and organizational trust and organizational trust and affective commitment indicate a mediation of organizational trust between organizational fairness and affective commitment. Therefore, this study proposes the following hypothesis.

H9: Trust in organization mediates the relationship between organizational fairness and affective commitment.

The studies of Libby (1999; 2001) revealed that organizational fairness through its leaders increased their job performance directly. The study of Aryee et al., (2002) reveled that organizational fairness is direct influence trust factors and study also revealed that trust is important in the process of mediates the relationship between

organizational fairness and job performance. Thus, this study proposes the following hypothesis:

H10: Trust in organization mediates the relationship between organizational fairness and job performance.

Research Model

Independent Variables   Dependent Variable
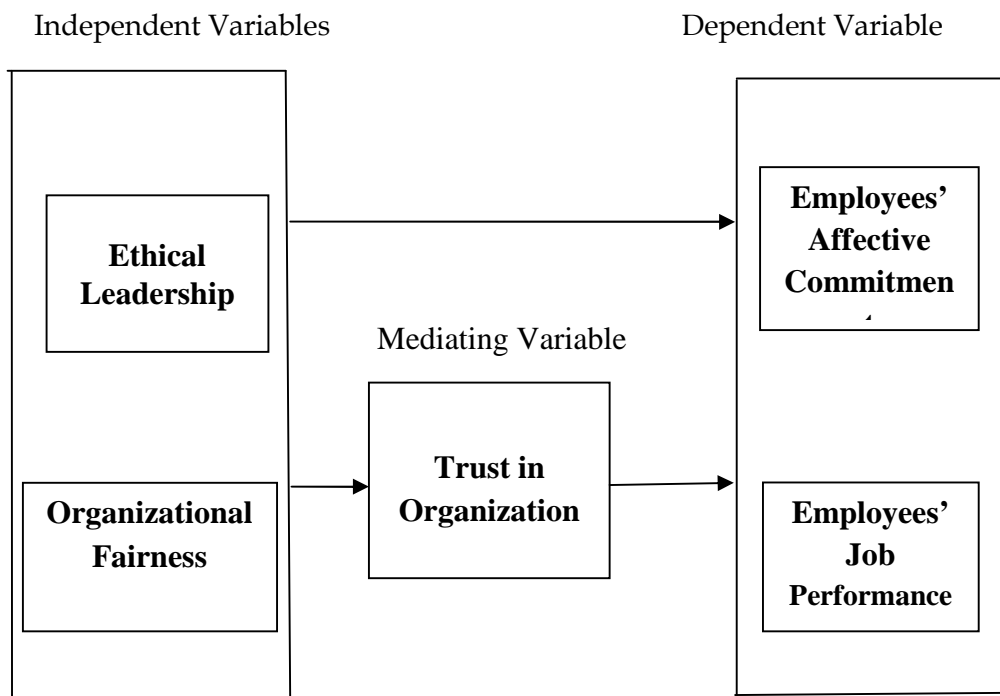
Methodology

Sample and Procedure

The sample of this research consisted of cellular operators namely UFone, Mobilink, Telenor, Warid, and Zong operating in major cities of Pakistan particularly in Punjab namely Islamabad, Faisalabad, Lahore, and Multan. The data was collected from the employees working in the above mentioned cellular operators. The estimated target population for this study was 8,779 employees working in several departments such as marketing, operation, accounting, finance, HRM, Sales and other departments of mobile networks. Survey questionnaire were used by the current study use

that collect data in natural setting with voluntary participation. The researcher distributed six hundred among the employees working in the above mentioned cities. Five hundred questionnaires were returned with a response rate of more than 90%. The sample collected is greater than calculated Cochran's sample size that was 368. Cochran's sample size suggested about 368 samples should be surveyed according to following Cochran's sample size (SS) formula after adjusted for correction for finite population.

Instruments of Study

Employee perception about their ethical leadership namely director, manager, supervisor, and immediate authority was measured with Ethical Leadership Scale (ELS) adopted from the study of Brown et al, (2005). The ELS scale was measured through ten questions with five Liker scale. The measurement scale for organizational fairness was adopted from the study of Kelloway et al., 1999. The organizational fairness was measured through five questions and these questions represent the extent to which the former employees were fairly treated by their firm through five Likert scale. The measures for trust in organization was adopted from the studies of Mayer and Davis (1999) and Gillespie (2003) and measured through five questions. The scale measured the employees' affective commitment was adopted from the study of Allen and Meyer (1990) and measured through eight items. Employees' Job Performance measurement was adopted from the studies of Tsui, Pearce, Porter, and Tripoli's (1997) with eleven items. In addition, this study collected information about respondents demographic that includes the information about their gender, age, education, marital status, job, working department, working organization, relevant job experience, and experience in cellular sector.

Results and Discussion

Reliability Analysis Test

The reliability of the questionnaire was assessed through Cronbach's Alpha. Table-1 reported each constructs' reliability.

Table-1 Reliability Analysis Test for all respective variables

Factor	Number of Items	Cronbach's Alpha
Ethical Leadership	6	.807
Organizational Fairness	3	.819
Trust in Organization	5	.830
Employees' Affective Commitment	8	.903
Employees' Job Performance	9	.926

The reported Cronbach's Alpha for this study's variables indicated high internal consistency reliability because the Cronbach's Alpha values for the variable of interest are greater than 0.80 which indicated that the constructs are high reliable.

Correlation Analysis for all Variables

Table-2 reported the results of Pearson's coefficient correlation between independent variables namely ethical leadership, ethical climate, organizational fairness and trust in organization and dependent variables namely employees' affective commitment and employees performance are significantly and positively correlated with each other.

Table-2 Correlation

In order to test whether there is a correlation among the five variables. Following the Kline (2011), the correlations among the studied variables are less than 0.80 which indicated that there is no multi-collinearity issue among the variables.

Regression Analysis

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-3**.

Table-3
Regression Analysis

	Hypotheses	P	Adj. R^2	B	T	Result
H1	Ethical Leadership has significant positive relationship on employees' affective commitment.	.000	.620	.419	8.842	Supported
H2	Ethical Leadership has significant positive and significant relationship on trust in organization.	.000	.424	.652	19.551	Supported
H3	Ethical Leadership of Executives will have positive and significant effect on Employees' Job Performance.	.000	.780	.518	14.466	Supported
H4	Organizational Fairness will have positive and significant effect on employees' affective commitment.	.000	.620	.408	8.620	Supported
H5	Organizational Fairness will have positive and significant effect on trust in organization.	.000	.526	.726	23.993	Supported
H6	Organizational Fairness will have positive and significant effect on Employees' Job Performance.	.000	.780	.409	11.420	Supported
H7	Trust in Organization positively mediates the relationship between ethical leadership and employees' affective commitment.	.000	.565 .725	.406 .529	13.261 17.272	Partial Mediation
H8	Trust in Organization positively mediates the relationship between ethical leadership and Employees' Job Performance	.000	.724 .798	.617 .359	23.677 13.783	Partial Mediation
H9	Trust in Organization positively mediates the relationship between organizational fairness and employees' affective commitment.	.000	.562 .694	.367 .529	10.311 14.872	Partial Mediation
H10	Trust in Organization positively	.000	.691	.589	18.159	Partial

		.743	.334	10.309	Mediation
mediates the relationship between organizational fairness and Employees' Job Performance.					

Discussion

First, the empirical results showed that ethical leadership and organizational fairness have direct and through trust in organization has indirect relationships with employees' affective commitment and Employees' Job Performance. These results endorse the findings of prior research (Brown et al. 2005; McFarlin and Sweeney 1992; Neubert et al. 2009; Piccolo et al. 2010; Resick et al. 2011; Victor & Cullen 2003) which implied that business ethics measured in this study through ethical leadership and organizational fairness has significant positive relationship with trust in organization (Aryee et al. 2002). The results indicated that this relationship may be regarded as the most important to understand and predict the positive attitudes and behaviors of the employees within an organization. Specifically, to facilitate employee affective commitment and performance, employees need supportive ethical environment from the leadership with a particular focus of organization's management on fair and justice procedures and policies. These policies should be implemented by ethical leaders with an aim to enhance high quality of relationship between member and followers that in return demonstrate their positive work place attitudes and behaviors. The ethical leaders concern for quality of relationship will increase the followers trust in their organization. Second, these findings also endorse the perspective of social exchange. Social exchange explains that employee positive work place attitudes and behaviors is the product of social exchange among the employee and organization. For example, employees' affective commitment and performance in the 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 organizational fairness. 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, social exchange perspective explains that each component of business ethics inspires a social exchange relationship and has significant and unique relationships with a variety of job performance attitudes and behavior in addition to trust level.

Finally, although, Mayer et al.'s (2009) 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 (G. R. Jones & George, 2006). Many of those models also predict that trust completely mediates the effects of its antecedents on those outcomes (Mayer et al., 2009). 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 organizational fairness each has significant and direct relationship with employees' affective commitment and employees' job performance. Thus findings of mediation analysis confirmed the social exchange perspective that each component of business ethics i.e. ethical leadership and organizational fairness stimulates a social exchange relationship and have significant, unique relationships with employees' affective commitment, employees' job satisfaction and employees' job performance in addition to trust levels on organization

Recommendations

The ethical and moral values adopted and implemented by the organization can contribute and helps organization's to achieve its objectives. In order to increase employee's performance and employees' affective commitment, the managers should develop ethical environment in terms of ethical leadership, organizational fairness. By providing ethical leadership coupled with strong organizational fairness, top management can create strong exchange relationships with employees that can be reciprocated in shape of denoting high performance along with work satisfaction and emotional attachment to their organization. Trust in organization is another avenue that can 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 organizational fairness on employee's performance and employees' affective commitment dynamically.

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