

Mediating Effect Of Ethical Climates On Hrm Practices And Organisational Performance: A Proposed Theoretical Frame Work

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ABSTRACT: Prior studies revealed that human resource management practices (HRM practices) are considered the best internal factors that lead to organizational performance, (OP) but some studies argued that why HRM practices effect performance in an organization, what fundamental reasons through which HRM practices influence OP? Some little studies attempted to explore mechanism through which HRM practices influence performance in an organization, however, still there are needs for more studies to clear the assumptions in the literature. Resource Based View (RBV) highlighted that HRM practices influence OP through resources that are deeply woven in organizational history, like of ethics, organizational values. The present study proposed to use ethical climates as potential mediator on HRM practices and OP relationship.

Key words: organizational performance, HRM practices, ethical climates, compensation, job security, job design

1. INTRODUCTION

This conceptual work attempts to explore the mechanisms through which HRM practices influence OP in Nigerian educational sector, ethical climates (EC) is employed as potential mediator on the relationship. According to Burtonshaw-Gunn and Salameh (2009). OP involves all the activities usually considered in helping the organization to achieve its goals and objectives and regularly monitoring the organizational progress towards achieving all the goals and considering adjustment to attain more targets with higher level of efficiency and effectiveness. Equally, OP talk about whether the organization do well in discharging the absolute and operational capabilities in accordance with the mission and whether the work environment truly makes the exercises and yields the desire result according to the mission or the institutional request (Kim, 2005). Again, OP involves output of an activity, and the capacity to embrace an action at the base expense conceivable. It likewise include adequacy whether the purposes set for the organization are being accomplished (Ali, Ali, & Raza, 2011).

Even though, to accomplish an OP, activities in management are thought to be a standout amongst the most essential elements and it is additionally the most studied approach in the organizational discipline (Agami, Saleh, & Rasmy, 2012). According to Al-Dhaafri (2014) for over two decades performance improvement is the major concern of public sectors organisation and beyond. Generally, governments are looking for to improve its sector performance in terms of transparency,

program outcomes, integrity, citizen participation, utilization of public resources, citizen satisfaction, fighting corruptions and enhancing accountability (Ashour, 2004). However, in Nigeria performance in educational sector is incredible, in which the sector performs very unfortunate compared to other african countries for instance, Algeria, Egypt, S/Africa, despites the fact that education is the back born of any country economy (Aluede, Idogho, & Imonikhe, 2012; WorldBank, 2013; WorldBank., 2010), but in Nigeria the performance in educational sector is low, hence, the need for investigation.

Several studies had been conducted to identify the factors influencing OP, some scholars considered factors, like organisational culture (Hartog & Verburg, 2004; Parry & Proctor-Thomson, 2002; Scott, Mannion, Marshall, & Davies, 2003) orgnisational support (Rhoades & Eisenberger, 2002) organisational learning (LLorens-Montes, Garcia-Morales, & Verdu-Jover, 2004; Yeo, 2003) politics (Rakodi, 2003; Vigoda-Gadot & Kapun, 2005), while others utilized HRM practices (Delaney & Huselid, 1996; Karami, Sahebalzamani, & Sarabi, 2015; Paul & Anantharaman, 2003).

In general, all these prior studies help us to understand the factors that influence OP, however, academic literature had shown that there are scanty of studies on HRM practices and OP more specifically in public sector organisation (Paauwe, 2009; Paauwe & Boselie, 2005; Taticchi, Prowse, & Prowse, 2010). Even if there is many, the fundamental reasons through which HRM practices

influence performance in an organization still not clear in the literature. Interestingly, Resource Based View (RBV) highlighted that, HRM practices are internal factors that considered the best internal resources leads to competitive advantage and performance in an organisation. However, this study will use EC to mediate the relationship between HRM practices and OP as recommended by Manroop, Singh, and Ezzedeen (2014), Arulrajah (2015) considering the fact that in RBV perspective, HRM practices influence OP through the development of resources that are deeply woven in an organization's history, ethics and culture. According to Victor and Cullen (1987). An EC as "prevailing perceptions of typical organizational practices and procedures that have ethical content" Similarly, EC reflects a set of organizational norms, procedures, practices, and policies surrounded in organizational lifecycle that usually guided an employees to conducts their behavior with high level of ethics for organizational development (Martin & Cullen, 2006; Schluter, Winch, Holzhauser, & Henderson, 2008) so also, Parboteeah, Seriki, and Hoegl (2014), show that from the HRM point of view, EC speak to an essential window to comprehend the ethical orientation in an organization. However, previous studies found EC as strong predictor of OP (Arulrajah, 2015; Hijal-Moghrabi, Sabharwal, & Berman, 2015). As the studies on HRM practices, EC are limited in the academic literature, more investigation is needed considering the important of the HRM and ethics in organizations success (Parboteeah et al., 2014; Thite, 2013). Therefore, proposing EC as mediator variable would have significant policy implications on OP more particularly in Nigerian educational sector.

2.0 Literature Review

2.1 Organizational Performance

According to Swanson (2001), OP can be seen as a systems ability to yield valued output in the form of effective, efficient goods and services. Similarly, researchers like Sink, Tuttle, and Shin (1989), argued that OP as a system multidimensional link between six performance criteria: adequacy, proficiency, quality, development, benefit and efficiency. In other word, OP can critically be explained as a function of the organization ability to possess, develop, and use physical and goals with an acceptable outlay of a resource while ensuring sustainability over the long term, and good OP always means the work done efficiently and effectively and remains much relevant to the stake holders (Ali, 2011; Moullin, 2007). OP is about procedure in which organizational achievement is measured as to the worth it makes and provides to both internal and external users (Antony & Bhattacharyya, 2010). In the present competition and how it change business environment, OP measurement is essential in assessing the level of organizational success and

direction strategy (Bourne et al., 2007). Similarly, performance measurement enables organizations to give focus on departments that needs to be improved by assessing the level of work progress in terms of quality, time and cost as well as combining in some areas with higher productivity (Ringim, Razalli, & Hasnan, 2012; Tomlinson, 2011).

In generally, OP used as dependent variables in organizational literature nowadays, and yet, at the same time, it remains one of the most indefinite and essential variables that faced so much attention from previous researchers (Shook, 2005). That is why researchers as well as practitioners put interest in discovering the determinants of the OP and the machineries through which some variables can influence it positively or negatively (Jing & Avery, 2011). Performance is related to efficiency, productivity, and effectiveness in the best utilization of resources (Berry, Sweeting, & Goto, 2006; Gleason, Mathur, & Mathur, 2000). Many measures used in assessing OP for long run survival in the event of competition and globalization. Some of the essential indicators used in measuring OP includes; management performance, liquidity, profitability, market share, human resource management, quality of goods and services (Dess & Robinson, 1984) as cited in Ringim *et al.* (2012). Others scholars considered measuring OP with efficiency, effectiveness and fairness more particular in public sector organisation (Brewer, 2006; Brewer & Selden, 2000; Hijal-Moghrabi *et al.*, 2015) If the study is empirically validated efficiency, effectiveness and fairness will be use to measure OP as recommended by Brewer and Selden (2000), since the study focus is on public sector organisation.

2.2 HRM practices and OP

Four HRM practices considered to discuss on OP relationship, it comprises, recruitment & selection, compensation system, job design and job security respectively.

2.1.1 Recruitment and Selection and OP

As an essential HRM practices, recruitment is a process of finding and securing the right applicants into an organization. Basically, the process encompasses seeking and attracting the most qualified applicants using several feasible recruitment approaches (Yoon Kin Tong, 2009). According to Opatha (2009), recruitment is the procedure of discovering and pulling in suitably qualified individuals to apply for job. While selection is the procedure of settling on the decision of the most suitable individual from the pool of candidates enrolled to fill the appropriate employment position. Recruitment and selection are considered as the essential HRM practices that enable the obtaining of candidates into the organization. It is indeed an essential practice that

muddles together the organization with existing vacancies with individual candidates for a possible future relationship (Rynes & Cable, 2003). Subramony (2009) viewed recruitment and selection as skill-enhancing management practice.

A quite number of empirical studies were conducted and found recruitment & selection as strong predictor of OP, for instance, study conducted by Alsughayir (2014) in Asian context, specifically in Saudi Arabian public organizations with 270 samples got 92.9% respond rate, SEM techniques were used in the data analysis, the result found recruitment and selection positively significant to OP. Similarly, the study of Beh and Loo (2013) in Malaysian context also confirmed that recruitment and selection positively related to OP by conducted an empirical test in seven Insurance companies in klang valley Malaysia, 312 samples were used in SPSS tool, multiple regression analysis considered in testing the relationship between recruitment & selection and OP.

Again, Islam and Siengthai (2010) carry out another study in Bangladesh business organization using 53 samples of companies with 216 sample of respondents, the study used SPSS techniques factor analysis and regression were applied, the result revealed that recruitment and selection related to OP positively.. Others previous studies that confirmed the relationship between recruitment & selection and OP includes (Chand, 2010; Michie & Sheehan-Quinn, 2001). Despite many evidences in Asian countries literature is lacking on the relationship between recruitment & selection and OP in African countries particularly in Nigeria. Therefore, this study develops the following hypothesis: -

H1: There is significant relationship between recruitment & selection and OP

2.1.2 Compensation system and OP

Compensation system is known as worker legitimacy and it is usually connected with organizational outcomes (Huselid, 1995). Compensation can essentially refer to every financial installment and all products utilized as a part of its place of money related motivating force (Islam & Siengthai, 2010). Similarly, compensation found important practice in determines job satisfaction and in return leads to OP (Joarder & Sharif, 2012). According to The expectancy theory of Vroom (1964) Argued that compensation and rewards can be used interchangeably as a form of direct and indirect compensation packages, have potential to influence workers work motivation for organizational success. Again, compensation considered based on performance, not on the basis of position or length of service in the organization (Wan, 2008). Moreover, other scholars like, freedom Ghazanfar, Chuanmin, Khan, and Bashir (2011) argued that compensation package involves,

bonus, commissions, base pay, merit pay, housing allowance, profit sharing others benefits includes, dental, vacation, insurance, retirement, tax freedom and leaves. So also, organisations considered given emphasis on compensation practice is to improve employee performance as well as organisational success (Quartey & Attiogbe, 2013).

Many studies were conducted by different scholars to test the relationship between compensation and OP. For example, one recent study conducted by Karami *et al.* (2015) in Iranian context in banking industry 220 samples and SPSS 17.0v used as analysis techniques, the regression analysis result revealed that compensation found positively related to OP, though compensation were used as mediator on the relation between cost reduction, innovation, quality enhancement and OP. Again, Akhtar, Azeem, and Mustafa Mir (2014) reported positive significant relationship between compensation and OP in a study conducted in Asian context Pakistan higher educational institutions with 50 samples, SPSS used in regression and correlation analysis. In addition, Triguero-Sánchez, C. Peña-Vinces, and Sánchez-Apellániz (2013) conducted one study in European context Spain, small and medium enterprises were the target population with 102 samples second generation techniques used (PLS SEM) result revealed that compensation is positively related to OP. Therefore, this study is consistent with that of Karami *et al.* (2015), Akhtar *et al.* (2014). However, Some previous studies conducted to established the relationship between the two variables compensation and OP, but the result explained contrary to others. For example, one study by Abdullah, Ahsan, and Alam (2009) in Asian context Malaysia in private sector, used 153 sample in SPSS techniques, findings explained no relationship between the compensation and OP. Similarly, Newton (2015) in American context, result of the study revealed that no positive significant relationship between the compensation and OP. Despite many evidences in Asian, Western countries, studies are lacking on the relationship between compensation and OP in African countries particularly in Nigeria. Therefore, this study develops the following hypothesis: -

H2: There is significant relationship between compensation system and OP

2.1.3 Job design and OP

Job design as HRM practice considered as one of the most operational machinery frequently utilized by organizations in considering workers performance for organizational success (Zareen & Razzaq, 2013). Equally, Job design can be seen as identifying the contents or methods of any work in such a way that, quite a lot of requirements of the job owner can be successfully satisfied, and it can also be describes on how to carry out job and the type of the job that supposed to be part of the job (Abid, Sarwar, Imran, Jabbar, & Hannan, 2013;

Mathis & Brown III, 2008). In return, performance of personnel as well as OP increase if the job is well and effectively design (Knapp & Mujtaba, 2010). Also, as several strategies require the introduction, adoption or adaption of new skills, method and techniques, so this can have the influence in which the work can be discharge. In general jobs can differ from both having a narrow series of works and having a wide layout of difficult tasks that need multiple skills (Morgeson & Humphrey, 2006).

Literature established that job design is associated with OP. For instance, Osman, Ho, and Carmen Galang (2011), conducted study in Malaysian context, 233 samples were used in quantitative approach with SPSS techniques for data analysis, the findings of the study revealed that job design is positive significantly related to OP. Again, one study by Triguero-Sánchez *et al.* (2013) in European context Spain, 102 samples of small and medium enterprises were used in the analysis, PLS SEM employed which is the second generation analysis techniques. Results show that, there is positive link between job design and OP. Furthermore, Chand and Katou (2007), carry out one study in Indian hotels companies with 439 samples using SPSS, correlation analysis result found job design related to OP. However, some studies on job design and OP revealed contrary to aforementioned studies. Study by Wood, Van Veldhoven, Croon, and De Menezes (2012), in United Kingdom public sector organization which is the target population with 3587 samples, a quantitative approach study used AMOS for data analysis and result revealed non-significant relation between job design and OP. Additionally, one more study conducted in Malaysian context by Beh and Loo (2013), Insurance firms used as the target population with 312 samples, SPSS tools used in analysis. Result shows that job design is found negatively associated to OP. Despite many evidences in European, Asian countries, literature is lacking on the relationship between job design and OP in African countries particularly in Nigeria. Therefore, this study develop the following hypothesis :-

H3: There is significant relationship between job design and OP

2.1.4 Job security and OP

According to Delery and Doty (1996). Job security basically been conceptualized as the degree to which a worker could hope to stay in the service for over period of time. Similarly, Herzberg (2003), defined job security as the extent to which organization provides stable employment for its personnel. Job security is considered as the most influential components of HRM practices (Pfeffer, 2005). Once more, literature indicated that job security bring organization's commitment on their workforce, as well as employees' organizational commitment which leads to organizational success

(Pao-Long & Wei-Ling, 2002; Wong, Ngo, & Wong, 2002). Job security improves the participation with the organization as the employee has no worry or fear of losing the employment (Joarder & Sharif, 2011). However, Chang (2005) argued that, through job security the organization determines commitment to the employees, and in exchange workers interchange the commitment to the organization. This support the idea of the theory of norm, reciprocity and social exchange theory (Blau, 1964; Gouldner, 1960).

Numerous studies examined the relationship between job security and OP. Recently, study by Karami *et al.* (2015) in Asian context, job security and firm performance in banking sector, study conducted in quantitative method first generation analysis techniques SPSS 17 version used, with 220 samples. The regression and correlation analysis result shows that job security is found positive significant related to OP. Again, Bonavia and Marin-Garcia (2011) carry out study in European context specifically in ceramic company Spain, with 76 samples, the study used SPSS as tools for data analysis, result indicated that job security is a strong predictor of OP as it is found positive in the relationship. Additionally, study by Abdullah *et al.* (2009) in Malaysian context private companies with 153 samples used in SPSS tools, findings revealed that job security is positively related to OP.

However, some studies carried out in trying to confirm the job security and OP relationship, but the findings revealed contrary to above aforementioned studies. For example, Michie and Sheehan-Quinn (2001) conducted study in United Kingdom (UK) with 200 samples, employed SPSS as techniques in the analysis, result shows negative relationship between job security and OP. Similarly, study of Akhtar, Ding, and Ge (2008), in Chinese enterprises, a quantitative approach SPSS used with 465 samples, the regression and correlation findings explained partial relationship between job security and OP. Despite many evidences in Western, Asian countries literature is lacking on the relationship between job security and OP in African countries particularly in Nigeria. Therefore, this study develop the following hypothesis: -

H4: There is significant relationship between job security and OP

2.3 Ethical Climates as potential mediator on the relationship between HRM practices and OP

EC earlier defined by Victor and Cullen (1987). As the sharing opinions of what ethically correct behavior is and how ethical issues should effectively handle. EC implies how an organization reacts to ethical issues. He emphasized that EC determines right or wrong of what individuals trust and shapes their ethical decision making and conduct (Johnson, 2008). Schluter *et al.* (2008)

argued that EC represents the organization's policies, practices and procedures on ethical issues, and it influences employees attitudes and behavior and serves as a reference for employee behavior. Similarly, EC play an important role in improving OP. It is indeed important that, organizations set ethical principles for its personnel alongside providing an atmosphere that promotes ethical behavior, commitment, trust, capable leadership, and creates workforce value to enhance OP (Hijal-Moghrabi *et al.*, 2015).

However, literature indicated that there has been a growing concern about the occurrence of unethical behaviors within the public sector organization. It's generated and has exposed several numbers of abuses, mismanagement, scandals, lack of performance, poor service delivery, and corruption. In the same way, changing the unethical behavior of members in an organizational with the influence of EC may have a vital impact on OP and entire system (Arulrajah, 2015). Similarly, Organizational ethics are thought to be one of the most commanding elements that influence organizational achievement as well as survival (Bartels, Harrick, Martell, & Strickland, 1998; Buller & McEvoy, 2000). In general, EC encourages and enforces the members to acquire appropriate ethical behaviour within organization. In return, Ethical behaviour of the members is essential to achieve best organizational objectives and performance (Brown & Stilwell, 2005; Winstanley & Hartog, 2002).

Several empirical studies indicated that EC related to OP. For instance, one recent study by Hijal-Moghrabi *et al.* (2015) in Western context, specifically in USA four states used in the survey study which includes, Oregon Florida, Utah and Washington 1, 695 respondents employed in quantitative approach, the result revealed that EC is positively related to OP. Again, one study also by Bowman and Knox (2008) in America, public managers were used as the target population, the findings shows that EC positively predict OP. Others studies includes; (Haines, 2004; Zajac & Al-Kazemi, 2000). Moreover, According to RBV, human resource systems can directly influence OP through the development of resources that are involvedly woven in organization's history and culture, like of EC (Barney, 2001a; Reed & DeFillippi, 1990; Wright & McMahan, 1992).

Furthermore, from the HRM viewpoint, EC signify an essential window to understand the ethical orientation in an organization. Understanding the existence of EC in an organization can hence be very much useful as a basis for developing HRM practices to foster an ethical culture (Parboteeah *et al.*, 2014). Similarly, HRM promote ethics and ethical behaviors in organizations, in the sense that, HR practitioners moderately believe that they definitely have an ethics management competence which supposed to includes in ethics management

Little by little (Caldwell, Truong, Linh, & Tuan, 2011; Van Vuuren & Eiselen, 2006). The argument here is those in HRM leadership position in the organization are highly respected for integrity. Above all, they have the capability to solve complicated ethical dilemmas, having understanding the organization's culture and communicate it at all levels in the organization circle (Arulrajah, 2015). It is precisely and clearly understood that HRM has a significance influence in creating and supporting EC and culture in an organization. Ethical status is currently seen as one of the vital factors of an organization's capability to attract and retain talents and HR professionals play an important role in institutionalizing EC and culture within the organizational systems in terms of ethics-related issues, decision-making processes, training, and disciplinary procedures (Foote & Ruona, 2008). In another development Winstanley and Woodall (2000), emphasized that all areas of HRM practices and policies must ensure an ethical perspective. The HR functions can play an important role in inserting ethics into HR philosophy, procedures and policies (Thite, 2013).

Moreover, Brooks and Selley (2012), argued that HRM practices and functions should be used in investigating EC for the organization's success. Greenwood (2002), emphasized that HRM involves the effective managing of people to attain organizational goals and objectives, therefore involving management of members behaviour in consistent with organizational norms, policies, procedures, rules and regulations, such member's behaviour is subject to ethical concern. The ability of HRM to influence ethical behaviour is highly dependent on the status of the functions in the organization (Foote, 2001). HRM play a great role in respects of organizations ethics, Its can look in two ways, ethics of the functions of HRM itself and the other one is ethics of HRM activities (Maxwell & Beattie, 2004). Literature indicated that EC had been used as mediator in the previous studies. For instance, one study by Zehir, Müceldili, Altındağ, Şehitoğlu, and Zehir (2014) in Turkey industrial sector with 600 respondents, EC mediate the relationship between organizational citizenship behaviour and charismatic leadership, finding revealed that EC mediated the relationship. Again, Cheng and Wang (2014), tested the mediating effect of EC on paternalistic leadership (PL) and team identification (TI) in Chinese context, result shows mediating effect of EC on PL and TI. This study will examine the mediating effect of EC on HRM practices on OP which is yet to be explore in the literature. Therefore, the study hypothesizes that: -

H5: There is significant relationship between EC and OP

In general, from the above empirical evidences we got to understood that EC has been used as mediating variable and yield significant positive

result. In line with this argument, this study will employ EC to mediate the relationship between the four HRM practices and OP, specifically in Nigerian educational sector. Therefore, the mediating hypothesis will be develop as follows:

H6: EC mediates the relationship between recruitment & selection and OP

H7: EC mediates the relationship between compensation system and OP

H8: EC mediates the relationship between job design and OP

H9: EC mediates the relationship between job security and OP

3.0 Underpinning theory

RBV is the underpinning theory for this study. RBV happened somewhere around 1983, 1984 and the mid-1990's (Barney, 2001b). The RBV argued that organizations have resources, a subset of which empowers them to accomplish competitive advantage, and a subset of those that speedy predominant long haul performance. According to RBV as discussed in Manroop *et al.* (2014) HRM

practices considered as best internal resources that leads to competitive advantage and performance in an organization. The thoery also argued that human capital asset creates competitive advantage and improve organisational performance through employees behavior. Therefore, employees can perform through effective utilization of internal resources base on HRM practices. Moreover, RBV emphasizes that human resource systems can directly influence OP through the development of resources that are involvedly woven in organization's history like, culture, EC (Barney, 2001a; Reed & DeFillippi, 1990; Wright & McMahan, 1992). In general, based on the literature and evidences from the earlier studies RBV will be used to explain the research theoretical framework.

4.0 Proposed Theoretical Framework

Based on the above theoretical and empirical discussion, this framework has been developed. The focus of this paper is to examine the mediating effect of EC on HRM practices and OP. Figure 1 shows the proposed theoretical framework.

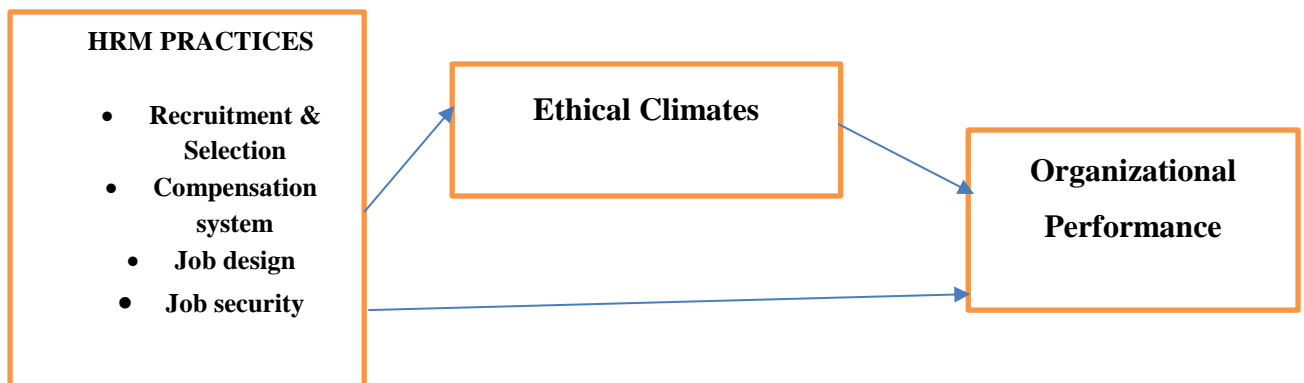


Figure 1

Proposed Theoretical Framework

5.0 Proposed Methodology

The present study intends to employed quantitative approach using primary data through questionnaire design, educational sector performance in Nigeria is the focus, were department/section are choosing as unit of analysis and sample size will determine during empirical study using Krejcie and Morgan (1970) Determining sample size table. Additionally, the empirical work will use PLS SEM in data analysis which is second generation analysis techniques to overcome the shortcoming of first generation analysis like man ova, anova, PLS SEM is a data analysis techniques which encompasses both measurement and structural

model (Hair, Sarstedt, Hopkins, & Kuppelwieser, 2014).

6.0 Conclusion

The present paper proposed the mediating effect of EC on the relationship between HRM practices and OP as shown in Figure 1. If the research framework empirically validated, the finding will offer an important insight to academics, policymakers and practitioners into the significant effect of EC on HRM practices and OP particularly in Nigerian educational sector. It will also provide evidence on how EC explain the relationship between HRM practices and OP.

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