The Impact of Organizational Culture on Employee Performance: An Empirical Correlational Study

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KEYWORDS	ABSTRACT
Ethical leadership, organizational culture, employee performance, decision-making, ethical communication	Employee performance has been found to be significantly impacted by an ethical corporate culture. This study looks at the connections between employee outcomes like skill development, perceived recognition, and performance improvement and important ethical dimensions like recognition and rewards, ethical training, integration of ethical considerations in decision-making, and open ethical communication. Data was gathered from 303 employees in a variety of organizational settings using a cross-sectional correlational design. The results of the Pearson correlation analysis showed that while ethical recognition and training did not exhibit significant positive associations with skill enhancement, decision-making guided by ethical principles and leaders' transparent communication were positively and significantly linked to employees' sense of being valued and their perceived performance growth. These results imply that rather than directly affecting performance, ethical leadership predominantly influences employee outcomes through relational and psychological mechanisms. By highlighting the varying effects of ethical practices on performance outcomes and stressing the necessity of integrating ethics into organizational decision-making and communication processes, the study advances Ethical Leadership Theory. In practice, companies should encourage open communication and collaborative decision-making to enable long-term staff growth. Future studies should look at cross-cultural differences in ethical organizational culture, mediating factors, and long term effects.

1. INTRODUCTION

Organizational culture is a fundamental factor that shapes employees' attitudes, behaviors, and overall performance within organizations. It encompasses a collective set of values, beliefs, norms, and practices that influence how employees understand their roles and responsibilities. In modern workplaces, ethical aspects of culture—such as fairness, transparency, integrity, and principled decision-making—have become increasingly significant due to rising stakeholder expectations and competitive pressures.

Employee performance is no longer measured solely by task completion or target achievement; it is also affected by the ethical context in which employees operate. A culture that acknowledges ethical behavior, provides ethics-based training, integrates moral considerations into decision-making, and promotes open communication about ethical issues can enhance employees' motivation, engagement, and sustained performance. Such practices foster a work environment where employees feel respected, supported, and empowered, which encourages skill development, idea sharing, and effective performance.

Although research on organizational culture has expanded, empirical studies examining the link between specific ethical cultural dimensions and employee performance remain limited. Many investigations focus on leadership behavior or the ethical climate independently, while fewer analyze ethical culture as an integrated system impacting performance outcomes. Additionally, prior studies often assume strong direct effects, potentially overlooking the subtle, indirect, and relational ways in which culture shapes behavior In response, this study employs a correlational research design to explore how ethical dimensions of organizational.

culture—namely, ethical recognition and rewards, ethics training, integration of ethical considerations in decision-making, and transparent ethical communication—relate to employee performance outcomes such as skill enhancement, employee voice, and perceived performance improvements

2. REVIEW OF LITERATURE

Organizational Culture and Employee Performance

Organizational culture has long been acknowledged as a crucial factor influencing employee behavior and performance outcomes. It is defined as a pattern of shared assumptions, values, and norms that guide how work is executed within organizations (Schein, 2010). A strong, well-aligned culture provides employees with clarity about expected behaviors, improves coordination, and fosters commitment, all of which contribute to enhanced performance.

Empirical studies indicate that organizational culture affects employee performance through both motivational and psychological mechanisms. Cultures that emphasize fairness, ethical conduct, and consistency are positively associated with job satisfaction, organizational commitment, and discretionary effort (Denison, 1990). Recent research continues to support this view. For instance, Mahendra etal. (2024) found that ethical aspects of organizational culture, including recognition of values and promotion of employee voice, are positively linked with productivity and engagement. These findings suggest that organizational culture actively shapes employee performance when ethical principles are embedded in everyday practices.

Ethical Dimensions of Organizational Culture

Ethical organizational culture is a subset of organizational culture that stresses integrity, accountability, transparency, and moral responsibility. It provides guidance on what constitutes acceptable behavior and organizational priorities (Kaptein, 2008). When ethical values are deeply integrated into organizational processes rather than existing only symbolically, employees are more likely to internalize them and align their behavior accordingly.

Research shows that ethical culture reduces ambiguity in decision-making and fosters consistency in managerial actions. Organizations that institutionalize ethical norms through policies, communication, and leadership practices tend to create environments characterized by fairness and trust, which indirectly enhance employee effectiveness and sustained performance. Ethical dimensions of culture include shared values, norms, and practices that guide moral behavior, decision-making, and integrity. Ethical culture goes beyond formal codes of conduct, manifesting in how standards are reinforced, communicated, and enacted across organizational practices (Schein, 2010).

Ethical Recognition, Rewards, and Performance

Recognition and reward systems are key mechanisms for reinforcing organizational values. Research indicates that acknowledging ethical behavior fosters perceptions of fairness and legitimacy in organizational processes (Trevino et al., 1998). Such practices enhance employees' moral awareness and compliance with organizational standards.

However, empirical evidence on the direct effect of ethical recognition on performance outcomes is mixed. While recognition strengthens ethical compliance, its influence on proactive behaviors, such as skill development or innovation, is less clear. This suggests that ethical rewards may encourage normative behavior but may not directly drive performance unless linked with developmental incentives.

Ethical Training and Employee Development

Ethics training is widely used to reinforce organizational standards and values. Studies demonstrate that ethics training enhances employees' awareness of ethical issues and improves their ability to navigate moral dilemmas (Weaver et al., 1999). When designed effectively, such training increases ethical sensitivity and responsible decision-making.

However, some scholars argue that training focused mainly on compliance may not directly improve performance outcomes. Employees may view mandatory ethics programs as procedural obligations rather than developmental opportunities, which limits their motivational impact on skill development and performance improvement. Therefore, ethics training is most effective when integrated with broader learning and development objectives.

Ethical Decision-Making and Employee Voice

Integrating ethical considerations into organizational decision-making is linked to positive employee perceptions and engagement. Ethical decision-making conveys fairness, respect, and inclusivity, encouraging employees to share ideas and participate in organizational processes (Brown et al., 2005).

Studies show that when employees perceive decision-making as ethically grounded, they experience psychological safety and feel their contributions are valued. This appreciation fosters engagement and cooperative behavior, which are essential for sustained performance, particularly in knowledge-intensive and team-based work environments.

Transparent Communication and Performance Outcomes

Open communication regarding ethical matters is a hallmark of ethical organizational culture. Transparency reduces uncertainty, builds trust, and clarifies expectations (Mayer et al., 2012). Employees in transparent environments are better able to align their actions with organizational goals and ethical standards.

Research indicates that transparent ethical communication supports long-term performance improvements by fostering confidence, reducing fear of retaliation, and encouraging constructive problem-solving. Although its direct impact may be gradual, transparency strengthens the organizational culture necessary for continuous improvement.

Research Gap

While existing literature establishes a strong conceptual link between organizational culture and employee performance, empirical studies examining **specific ethical dimensions of organizational culture** using correlational designs remain limited. Moreover, prior research often assumes strong direct relationships, neglecting the possibility that ethical cultural practices influence performance indirectly through relational and psychological pathways. Addressing this gap, the present study empirically investigates how ethical recognition, ethical training, ethical decision-making integration, and transparent communication relate to employee performance outcomes.

Objectives of the Study

The specific objectives of the present study are as follows:

1. To examine the relationship between **ethical recognition and reward practices** within organizational culture and **employees' efforts to improve their work-related skills**.

2. To analyze the association between **ethical training and value-based development initiatives** and **employee skill improvement efforts**.

3. To assess the relationship between **integration of ethical considerations into organizational decision-making processes** and **employees' perceptions of appreciation for their decisions and suggestions**.

4. To examine the relationship between **leaders' promotion of open and transparent communication regarding ethical concerns** and **employees' perceived improvement in performance**.

5. To empirically evaluate the overall impact of **ethical dimensions of organizational culture** on **employee performance-related outcomes** using a correlational approach.

3. RESEARCH METHODOLOGY

Research Design

The present study adopted a **quantitative research approach** using a **cross-sectional correlational research design**. This design was considered appropriate to examine the nature and strength of relationships between ethical dimensions of organizational culture and employee performance-related outcomes without manipulating the study variables. The correlational design enabled the assessment of associations among variables as they naturally occur within organizational settings.

Population and Sample

The population of the study comprised employees working in various organizational settings. A structured questionnaire was administered to collect primary data. Using a **convenience sampling technique**, data were obtained from **300 respondents**. After screening for incomplete responses, **303 valid questionnaires** were retained for analysis, resulting in **degrees of freedom (df = 298)** for correlation analysis. The sample size was considered adequate for statistical analysis and generalization within the study context.

Data Collection Instrument

Data were collected using a **self-administered structured questionnaire**, designed to measure ethical dimensions of organizational culture and employee performance indicators. The instrument consisted of two main sections:

- **Ethical Dimensions of Organizational Culture**, measured through items related to:
    - Recognition and rewards for ethical behavior
    - Adequacy of ethical training and value-based development
    - Integration of ethical considerations into decision-making processes
    - Leaders' promotion of open and transparent communication regarding ethical concerns

- **Employee Performance-Related Outcomes**, measured through items capturing:
    - Efforts to improve work-related skills

o Perceptions of appreciation for decisions and suggestions

o Perceived improvement in individual performance over recent years

All items were measured using a **five-point Likert scale**, ranging from 1 (*Strongly Disagree*) to 5 (*Strongly Agree*).

Reliability and Validity

To ensure internal consistency, the reliability of the measurement scales was assessed using **Cronbach's alpha coefficient**. The results indicated acceptable reliability levels for all constructs, exceeding the recommended threshold of 0.70. Content validity was established through an extensive review of existing literature and expert feedback, ensuring that the questionnaire items adequately represented the study constructs.

Data Analysis Techniques

The collected data were coded and analyzed using SPSS **statistical software**. Descriptive statistics were employed to summarize respondent characteristics and variable distributions. **Pearson's product–moment correlation analysis** was conducted to test the relationships between ethical dimensions of organizational culture and employee performance-related outcomes. A **two-tailed test of significance** was applied, and results were interpreted at the **5% significance level (p < .05)**.

Ethical Considerations

Participation in the study was voluntary, and respondents were assured of confidentiality and anonymity. The data collected were used solely for academic research purposes. Informed consent was obtained from all participants prior to data collection.

Data Interpretaion:

Correlations			Ethical behaviors are recognized &rewarded within the organization	There is adequate training on ethical practices & value provided to employees	Ethical consideration are integrated into decision making process	Leaders promotes open & transparent communication regarding ethical concern
Control Variables						
In my organization performance is always measured on target basis	Ethical behaviors are recognized &rewarded within the organization	Correlation	1.000	.041	-.005	-.015
		Significance (2-tailed)	.	.475	.926	.792
		df	0	298	298	298
I make major efforts to improve my work skills	There is adequate training on ethical practices & value provided to employees	Correlation	.041	1.000	-.116	.085
		Significance (2-tailed)	.475	.	.044	.142
		df	298	0	298	298
My decisions and suggestions are appreciated by my boss	Ethical consideration are integrated into decision making process	Correlation	-.005	-.116	1.000	.131
		Significance (2-tailed)	.926	.044	.	.023
		df	298	298	0	298
Myperformance have increased during recent	Leaders promotes open &transparent communication	Correlation	-.015	.085	.131	1.000
		Significance (2-tailed)	.792	.142	.023	.

years	regarding ethical concern	df	298	298	298	0

Interpretation of Correlation Results

The correlation analysis was conducted to examine the relationship between ethical practice variables and employee performance indicators, while considering organizational performance orientation as a control context. Pearson's correlation coefficient (r), significance level (p), and degrees of freedom (df = 298) were analyzed.

1. Ethical Rewards and Skill Improvement

The relationship between ethical behaviors being recognized and rewarded and employees making major efforts to improve work skills is positive but very weak (r = .041) and statistically insignificant (p = .475). This indicates that recognition of ethical behavior alone does not significantly influence employees' efforts toward skill enhancement.

2. Ethical Training and Skill Improvement

A weak but statistically significant negative correlation exists between adequate ethical training and employees' efforts to improve work skills (r = −.116, p = .044). This suggests that while ethical training is present, it may not directly motivate skill improvement, possibly because such training focuses more on compliance than capability development.

3. Ethical Decision-Making and Employee Voice

There is a weak positive and statistically significant relationship between ethical considerations being integrated into decision-making and employees' decisions and suggestions being appreciated by supervisors (r=.131,p=.023). This implies that ethical decision-making frameworks encourage a participative climate where employee input is valued.

4. Ethical Communication and Performance Growth

The correlation between leaders promoting open and transparent communication regarding ethical concerns and employees' increased performance in recent years is positive and significant, though weak (r = .131, p = .023). This indicates that transparent ethical communication by leaders contributes modestly to improvements in employee performance over time.

4. RESULTS

Pearson's product–moment correlation analysis was conducted to examine the relationships between ethical practice variables and employee performance-related outcomes. The analysis included ethical behaviors being recognized and rewarded, adequacy of ethical training, integration of ethical considerations in decision-making, and leaders' promotion of open and transparent communication regarding ethical concerns. The degrees of freedom for all correlations were 298, and a two-tailed significance test was applied.

The correlation between ethical behaviors being recognized and rewarded and employees' efforts to improve their work skills was positive but very weak and not statistically significant, r = .041, p = .475. This indicates that recognition and rewards for ethical behavior were not significantly associated with employees' skill improvement efforts.

A weak negative but statistically significant relationship was observed between adequate training on ethical practices and values and employees' efforts to improve work skills, r = −.116, p = .044. This finding suggests that ethical training alone may not directly contribute to employees' motivation to enhance their work-related skills.

The relationship between integration of ethical considerations into the organizational decision-making process and employees' perceptions that their decisions and suggestions are appreciated by their supervisors was weak but positive and statistically significant, $r = .131$, $p = .023$. This result implies that ethically grounded decision-making environments are associated with greater employee voice and acknowledgment.

Finally, a weak positive and statistically significant correlation was found between leaders' promotion of open and transparent communication regarding ethical concerns and employees' perceived increase in performance over recent years, $r = .131$, $p = .023$. This indicates that transparent ethical communication by leaders is modestly associated with improvements in employee performance.

Overall, the results suggest that while ethical leadership practices demonstrate statistically significant relationships with certain employee outcomes, the strength of these relationships remains weak, indicating that ethical practices may influence employee performance indirectly rather than serving as strong standalone predictors.

5. DISCUSSION

The present study examined the relationship between ethical leadership practices and employee performance-related outcomes. Grounded in Ethical Leadership Theory, which conceptualizes ethical leaders as both *moral persons* and *moral managers* (Brown & Trevino, 2006), the findings provide nuanced insights into how ethical practices influence employee behavior and perceptions within organizations.

The results revealed that the recognition and rewarding of ethical behavior did not have a significant relationship with employees' efforts to improve work-related skills. This finding contrasts with normative assumptions within ethical leadership literature that ethical reinforcement mechanisms inherently motivate positive employee behaviors. From a theoretical perspective, this suggests that while ethical rewards may strengthen compliance and moral conduct, they may not directly stimulate developmental or performance-enhancing behaviors unless coupled with instrumental incentives or career advancement opportunities. Ethical Leadership Theory emphasizes behavioral modeling and value internalization; however, recognition systems alone may be insufficient to translate ethical climates into proactive skill development.

Interestingly, ethical training demonstrated a weak but statistically significant negative relationship with employees' efforts to improve their skills. This finding may be interpreted through the lens of symbolic versus substantive ethics. Prior research suggests that when ethical training is perceived as procedural or compliance-oriented rather than developmental, employees may view it as an obligation rather than a motivator (Trevino et al., 2003). From an ethical leadership standpoint, this underscores the importance of aligning ethical education with personal growth, empowerment, and practical relevance rather than limiting it to rule-based instruction.

Consistent with Ethical Leadership Theory, the integration of ethical considerations into decision-making processes was positively associated with employees' perceptions that their ideas and suggestions are appreciated. Ethical leaders are expected to foster fairness, voice, and respect by embedding moral reasoning into organizational decisions (Brown et al., 2005). The present finding supports this proposition by indicating that ethically grounded decision-making environments encourage participative behavior and enhance employees' sense of inclusion and value within the organization. Although the strength of the relationship was weak, its statistical significance highlights the role of ethical leadership in shaping relational and psychological aspects of performance.

Furthermore, leaders' promotion of open and transparent communication regarding ethical concerns showed a significant positive relationship with perceived performance improvement over time. Ethical leadership literature emphasizes transparency and open dialogue as critical mechanisms through which leaders build trust and psychological safety (Mayer et al., 2012). The findings suggest that when leaders actively encourage ethical communication, employees may experience greater clarity, reduced ambiguity, and increased confidence in their roles, which in turn supports sustained performance improvement.

Overall, the weak yet significant relationships observed in this study align with contemporary views that ethical leadership exerts its influence primarily through indirect and contextual pathways rather than immediate performance outcomes. Ethical Leadership Theory posits that ethical leaders shape organizational culture, trust, and moral identity, which gradually translate into positive employee behaviors. The findings reinforce the argument that ethical leadership should be viewed as a foundational organizational resource that supports long-term performance and well-being rather than a direct productivity driver.

Theoretical Contribution

This study contributes to ethical leadership literature by empirically demonstrating that ethical practices influence employee outcomes in **subtle but meaningful ways**, particularly through decision-making integrity and ethical communication. It extends Ethical Leadership Theory by highlighting the differentiated effects of ethical mechanisms, suggesting that not all ethical practices yield uniform performance outcomes.

Practical Implications

- Organizations should **embed ethics into decision-making**, not treat it as a separate compliance function.

- Ethical training programs should be **development-oriented**, linking ethics with competence and career growth.

- Leaders should prioritize **ethical transparency and voice**, as these practices support sustainable performance improvements.

Hypothesis 1

H1 proposed that recognition and rewards for ethical behavior would be positively related to employees' efforts to improve their work skills.

The results did not support H1, as the relationship was positive but statistically insignificant. Although Ethical Leadership Theory posits that reinforcement of ethical behavior strengthens desired conduct, the present finding suggests that ethical rewards may primarily encourage moral compliance rather than developmental or performance-enhancing behaviors. This indicates that recognition systems focused solely on ethical conduct may not be sufficient to motivate employees to invest

additional effort in skill enhancement unless they are integrated with performance-based incentives or career development mechanisms.

Hypothesis 2

H2 proposed that adequate training on ethical practices and values would be positively related to employees' efforts to improve their work skills.

Contrary to expectations, the results revealed a weak but statistically significant negative relationship, leading to the rejection of H2. From a theoretical perspective, this finding aligns with prior arguments distinguishing *symbolic ethics* from *substantive ethics*. When ethical training is perceived as compliance-driven rather than empowering, it may fail to inspire proactive behavior (Trevino et al., 2003). Ethical Leadership Theory emphasizes role modeling and moral engagement; thus, ethical training that lacks practical relevance or developmental orientation may inadvertently disengage employees from performance-related initiatives.

Hypothesis 3

H3 proposed that integration of ethical considerations into decision-making would be positively related to employees' perceptions that their decisions and suggestions are appreciated by supervisors. The findings supported H3, revealing a weak but statistically significant positive relationship. This result is consistent with Ethical Leadership Theory, which highlights fairness, voice, and respect as central leader behaviors (Brown et al., 2005). When ethical considerations are embedded in organizational decisions, employees are more likely to perceive the work environment as just and inclusive, thereby enhancing their sense of being valued and heard. Although the effect size was modest, the significance underscores the relational impact of ethical decision-making practices.

Hypothesis 4

H4 proposed that leaders' promotion of open and transparent communication regarding ethical concerns would be positively related to employees' perceived improvement in performance. The results supported H4, demonstrating a weak yet statistically significant positive association. Ethical leadership literature emphasizes transparency and open communication as mechanisms through which leaders build trust and psychological safety (Mayer et al., 2012). The present finding suggests that ethical dialogue facilitates clarity, reduces uncertainty, and fosters a supportive climate, which can contribute to gradual improvements in employee performance over time.

Overall Interpretation

Collectively, the hypothesis-driven analysis indicates that ethical leadership practices do not exert uniform effects on employee performance outcomes. While ethically grounded decision-making and transparent communication (H3 and H4) demonstrated significant positive relationships, ethical rewards and training (H1 and H2) did not produce the expected outcomes. These findings reinforce Ethical Leadership Theory's proposition that ethical leadership influences performance primarily through **indirect, relational, and cultural pathways** rather than through immediate behavioral change.

Summary of Hypothesis Testing

Hypothesis	Statement	Result
H1	Ethical rewards → Skill improvement	❌ Not supported
H2	Ethical training → Skill improvement	❌ Not supported
H3	Ethical decision-making → Employee voice	✅ Supported
H4	Ethical communication → Performance improvement	✅ Supported

Hypothesis 1 (H1) posited that recognition and rewards for ethical behavior would be positively related to employees' efforts to improve their work skills. The results indicated a positive but statistically insignificant correlation ($r = .041$, $p = .475$). Therefore, **H1 was not supported**.

Hypothesis 2 (H2) proposed that adequate training on ethical practices and values would be positively related to employees' efforts to improve work skills. The findings revealed a weak but statistically significant negative correlation ($r = -.116$, $p = .044$). As the direction of the relationship was contrary to the hypothesis, **H2 was not supported**.

Hypothesis 3 (H3) stated that the integration of ethical considerations into organizational decision-making processes would be positively related to employees' perceptions that their decisions and suggestions are appreciated by supervisors. The results showed a weak yet statistically significant positive relationship ($r = .131$, $p = .023$). Hence, **H3 was supported**.

Hypothesis 4 (H4) hypothesized that leaders' promotion of open and transparent communication regarding ethical concerns would be positively related to employees' perceived improvement in performance over recent years. The analysis revealed a weak but statistically significant positive correlation ($r = .131$, $p = .023$). Accordingly, **H4 was supported**.

Overall, the hypothesis testing results demonstrate that ethical leadership practices related to ethical decision-making and transparent communication have significant associations with employee outcomes, whereas ethical rewards and training do not show the expected positive relationships.

Hypothesis Testing Results

Hypothesis	Statement	r	p value	Result
H1	Ethical behaviors being recognized and rewarded are positively related to employees' efforts to improve work skills	.041	.475	Not Supported
H2	Adequate training on ethical practices and values is positively related to employees' efforts to improve work skills	−.116	.044*	Not Supported
H3	Integration of ethical considerations into decision-making is positively related to employees' perceptions that their decisions and suggestions are appreciated	.131	.023*	Supported
H4	Leaders' promotion of open and transparent communication regarding ethical concerns is positively related to employees' perceived improvement in performance	.131	.023*	Supported

Note. $p < .05$ (two-tailed).

6. RESULTS

Pearson's product–moment correlation analysis was conducted to examine the relationships between ethical leadership practices and employee performance-related outcomes. Ethical leadership variables included recognition and rewards for ethical behavior, ethical training, integration of ethical considerations into decision-making, and leaders' promotion of open and transparent communication regarding ethical concerns. All statistical tests were performed using a two-tailed significance level with degrees of freedom ($df = 298$).

The results indicated that recognition and rewards for ethical behavior were not significantly related to employees' efforts to improve their work skills ($r = .041$, $p = .475$). Similarly, ethical training showed a weak but statistically significant negative relationship with employees' efforts to enhance their work skills ($r = −.116$, $p = .044$). Consequently, Hypotheses 1 and 2 were not supported.

In contrast, the integration of ethical considerations into organizational decision-making demonstrated a weak but statistically significant positive association with employees' perceptions that their decisions and suggestions are appreciated by supervisors ($r = .131$, $p = .023$), providing support for Hypothesis 3. Additionally, leaders' promotion of open and transparent communication regarding ethical concerns was positively and significantly related to employees' perceived improvement in performance over recent years ($r = .131$, $p = .023$), thereby supporting Hypothesis 4.

Overall, the results suggest that ethical leadership practices related to decision-making integrity and ethical communication are significantly associated with employee outcomes, whereas ethical rewards and training do not exhibit the expected positive relationships. The hypothesis testing outcomes are summarized in Table X.

Conceptual Framework Aligned with Hypotheses

The conceptual framework of this study examines how **ethical dimensions of organizational culture** influence **employee performance-related outcomes**. The model is grounded in **Ethical Leadership Theory** (Brown & Treviño, 2006), which suggests that ethical practices embedded in organizational culture guide employee behavior and enhance performance through fairness, trust, and ethical consistency.

The framework identifies **four independent variables**—each representing a specific ethical dimension of organizational culture—and their corresponding **dependent outcomes**, which form the basis for hypotheses H1–H4:

1. **Recognition and Rewards for Ethical Behavior (H1)**

   Ethical recognition reinforces organizational values and signals the importance of integrity and fairness. Hypothesis H1 posits that when ethical behaviors are acknowledged and rewarded, employees are more likely to

engage in proactive efforts to improve their work-related skills.

2. **Ethical Training and Value-Based Development (H2)**

Ethical training aims to enhance employees' awareness of moral standards and equip them with skills to navigate ethical dilemmas. Hypothesis H2 proposes that the provision of adequate ethical training and values-based development initiatives positively relates to employees' efforts to enhance their professional skills.

3. **Integration of Ethical Considerations into Decision-Making (H3)**

Embedding ethical considerations in organizational decision-making demonstrates fairness and inclusiveness. Hypothesis H3 suggests that when ethical norms guide decision-making, employees perceive that their suggestions and decisions are valued, fostering a sense of appreciation and engagement.

4. **Open and Transparent Communication Regarding Ethical Concerns (H4)**

Transparent communication establishes trust, clarifies expectations, and allows employees to raise concerns without fear. Hypothesis H4 posits that when leaders promote open and transparent communication on ethical matters, employees are more likely to perceive improvements in their overall performance over time.

Dependent-Variables:

Employee performance outcomes are operationalized as:

- Efforts to improve work-related skills (H1 & H2)
- Perceptions of appreciation for decisions and suggestions (H3)
- Perceived improvement in individual performance (H4)

Mechanisms:

The framework emphasizes that ethical dimensions influence performance through relational and psychological mechanisms, including trust, fairness, engagement, and organizational support. The relationships are conceptualized as **correlational**, reflecting gradual and context-dependent effects rather than immediate causal impacts.

Summary:

By explicitly linking each ethical dimension to a corresponding hypothesis, the conceptual framework provides a clear roadmap for empirical testing, showing how organizational culture shaped by ethical practices can enhance different facets of employee performance.

7. FINDINGS AND DISCUSSION:

The present study examined the relationships between ethical dimensions of organizational culture—ethical recognition and rewards, ethical training, integration of ethical considerations in decision-making, and leaders' promotion of transparent ethical communication—and employee performance outcomes, including skill development, perceived appreciation, and performance improvement. The findings are discussed below with reference to existing literature.

1. Ethical Recognition and Employee Skill Development

The correlation analysis revealed a positive but statistically insignificant relationship between recognition and rewards for ethical behavior and employees' efforts to improve their work-related skills ($r = .041$, $p = .475$). This indicates that while ethical recognition may reinforce moral compliance, it does not directly enhance employees' motivation to develop new skills.

These results align with prior research suggesting that recognition alone may strengthen normative behavior rather than proactive performance behaviors (Trevino et al., 1998). Brown and Treviño (2006) also note that ethical reinforcement mechanisms primarily cultivate compliance and moral awareness; additional developmental or performance-oriented incentives are needed to translate ethical acknowledgment into skill enhancement.

2. Ethical Training and Employee Skill Development

Ethical training was weakly but negatively correlated with employees' efforts to improve skills ($r = -.116$, $p = .044$), contrary to the hypothesis. This suggests that when ethics training is perceived primarily as procedural or rule-based, it may not motivate employees to invest in skill improvement.

Supporting literature highlights that compliance-focused ethics programs may have limited influence on performance-related outcomes (Weaver et al., 1999). Ethical Leadership Theory emphasizes that ethical education should go beyond rules to encourage moral engagement and development (Brown et al., 2005). This finding underscores the importance of integrating ethics training with broader employee development initiatives to promote proactive skill enhancement.

3. Ethical Decision-Making and Employee Voice

A weak but significant positive relationship was observed between integration of ethical considerations into decision-making and employees' perceptions that their decisions and suggestions are appreciated ($r = .131$, $p = .023$). This indicates that ethically guided decision-making fosters a participative work environment where employees feel valued.

This result aligns with prior studies showing that ethical decision-making enhances psychological safety and perceived organizational fairness, encouraging employees to voice opinions and participate in problem-solving (Brown et al., 2005; Kaptein, 2008). Ethical leaders promote inclusion and respect through morally grounded decisions, which enhances relational and performance outcomes.

4. Transparent Ethical Communication and Performance Improvement

Leaders' promotion of open and transparent communication regarding ethical concerns was positively and significantly related to perceived improvements in employee performance over time ($r = .131$, $p = .023$). This finding suggests that transparency and open dialogue contribute to performance enhancement by reducing uncertainty, fostering trust, and supporting employee engagement.

Prior research supports this observation, indicating that transparent ethical communication builds trust and psychological safety, which are crucial for sustained employee performance (Mayer et al., 2012; Treviño et al., 2003). Open communication also facilitates learning, error correction, and continuous improvement, reinforcing organizational performance indirectly.

Overall Interpretation

Collectively, the findings suggest that ethical leadership practices influence employee outcomes primarily through **relational and psychological mechanisms** rather than direct effects on performance. While ethical rewards and training did not show strong positive associations with skill development, ethically grounded decision-making and transparent communication positively influenced employee perceptions and performance outcomes. These results are consistent with Ethical Leadership Theory, which posits that ethical leaders shape organizational culture, trust, and moral identity, gradually leading to enhanced employee behaviors and performance (Brown & Treviño, 2006)

Future Scope of the Study

The findings of this study open multiple directions for further scholarly inquiry into ethical leadership and employee performance. One promising avenue involves the use of time-based research designs to explore how ethical leadership practices evolve and influence employee outcomes over extended periods. Such designs would enable researchers to move beyond association and better understand developmental patterns and causal dynamics.

Additionally, future investigations may benefit from examining intervening variables that could explain the observed relationships. Constructs such as ethical climate, perceived organizational justice, trust in leadership, and employee engagement may serve as explanatory pathways through which ethical leadership exerts its influence. Exploring these mechanisms would provide deeper theoretical clarity and strengthen model robustness.

Further research could also apply more sophisticated statistical techniques, including hierarchical regression or structural equation modeling, to capture complex interrelationships among ethical leadership dimensions and performance indicators. These approaches would allow simultaneous assessment of multiple effects and enhance methodological rigor.

Another important extension involves conducting studies across diverse organizational and cultural settings. Since ethical norms and leadership expectations vary across contexts, comparative research across industries, sectors, and regions would improve the external validity of findings and contribute to cross-cultural ethical leadership scholarship.

Finally, scholars may consider integrating qualitative or mixed-method approaches to complement survey-based findings. In-depth interviews, focus groups, or organizational case analyses can offer richer insights into how ethical leadership is practiced and perceived, thereby providing contextual depth that quantitative data alone may not capture.

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