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Retail Industry: Analysis of Ethics on Employee Job Performance

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RETAIL INDUSTRY: ANALYSIS OF ETHICS ON EMPLOYEE JOB PERFORMANCE
A RESEARCH PROPOSAL

RESEARCH AND INQUIRY RSCH 5700

Presented to

Martin W. Sivula, Ph.D.

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By

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Abstract

The purpose of this research proposal is to investigate the relationship between the impact of ethics on employee performance in a retail environment. The retail industry experiences numerous incidences related to ethics. In this research proposal, key words are listed and briefly described as to their impact. The interpretation of the related literature reveals some of the factors that employees experience that affect their ethical decision making in the workplace, which can impact their performance. Ethical decision making involves both employee and manager input. Ethical climate and leadership impact an employee's job performance and can provide key insights on managements role in providing an ethical work environment. A set of pre-tested questionnaires will be administered to three hundred and fifty participants. Full-time and part-time employees from five different retail stores will be the unit of study. The questionnaires will be given at two points in time and will be administered six months apart from each other. The questionnaires will also contain identical questions. Results will be used to better understand the role of ethics to motivate employees to perform better at work and encourage a positive work environment.

Keywords: Deviant behavior, ethical climate, ethical leadership, job performance, job satisfaction.

Introduction

Employees are constantly facing challenges related to ethics in the workplace. Employees acting unethically while at work have a negative impact on both employers and the organization as a whole. Managers are increasingly beginning to recognize that companies function better when people within the organization know and trust one another (Ellinger, Ellinger, Bachrach, Wang & Elmadağ Baş, 2011). However, many employees still participate in unethical behavior while at work and this behavior has an impact on job performance.

In an environment where misconduct is tolerated or encouraged, the outcomes can include higher turnover, lower productivity, and a tarnished company reputation compared to companies where misconduct is not tolerated. Managers play a key role in whether employees follow company values and if managers are not a model for ethical behavior or enforce company policy in a fair manner, employees lose trust in the organization (Meinert, 2014). Employees may feel that managers may encourage unethical behavior and feel pressured to act in a way that is contrary to their beliefs, which can have a negative impact on their job performance.

An employee's job performance is important in the workplace because it is the result of the employee's work on the job. An employee's job performance is influenced by a variety of factors such as attitude, management style, and work ethic. Job performance is crucial to workplace advancement and the overall emotions of employees as a whole. An employee's job performance can suffer from both internal and external factors, such as the management of the company and the employee's surrounding environment.

In the retail sector of business, issues surrounding ethical behavior among employees at work can have an impact on their overall job performance. Employees in retail are influenced by a variety of factors on the job that influence their behavior, such as management, the company culture, and the environment. Many retail employees who witness an unethical event at work do report it to management because of a fear of retaliation. Although issues surrounding workplace ethics is common, little research has been conducted that focuses on the relationship between ethics and employee performance in a retail business environment.

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This research proposal addresses the relationship between ethics and employee performance. It aims to analyze the implications of poor employee ethics and their outcomes, from a retail perspective. It attempts to gain a better understanding of the ethical implications in response to an employee's performance on the job.

Statement of the Problem

The relationship between ethics and job performance is a major issue in today's business environment. Unethical behaviors in the workplace often go unnoticed in the retail environment due to fears of retaliation, poor management, company culture, and the environment. The understanding of the relationship between ethics and job performance is necessary for employees to thrive in the business environment.

Purpose of the Study

This study is proposed with the purpose of providing a further analysis on the relationship between ethics and job performance. A variety of factors influence this relationship, such as the work environment and an employee's motivation to work. This research intends to explore the relationship between ethics and employee performance through the implementation of a questionnaire. By examining different types of retail businesses one should benefit in this study to better understand ethics and job performance. This study will address the literature related to the primary constructs in the study. This research intends to test whether the ethical values of both an organization and an employee have a direct impact on an employee's job performance.

Research Questions

For this study, the following questions will be addressed:

1. What is the impact of ethics in employee decision making and overall job performance?
2. What is management's role in ensuring that ethics policies are followed by employees?
3. How does a company's culture impact the organizational environment?

Hypotheses

For this study, the investigation will include the following hypotheses:

H1: Deviant behavior in the workplace has a negative impact on an employee's job performance.

H2: Management can have either a positive or negative influence on an employee's decision making skills.

H3: Ethical climate can be negatively or positively associated with employee performance on the job.

H4: Ethical leadership has a positive influence on an employee's job performance.

Definition of Terms

The research will include the following keywords:

1. *Deviant Behavior*- Deviant behavior is any unethical behavior that can deter an employee from performing their job at full capacity. They can be towards individuals or the organization itself. Examples of deviant behavior include tardiness, absenteeism, theft, destruction of company property, and other harmful behaviors towards coworkers or the company (Golparvar, 2016).
2. *Ethical Climate*- Ethical climate is an employee's shared perceptions of what is right and wrong. It also addresses how ethical issues should be handled in a company (Lee & Ha-Brookshire, 2017).
3. *Ethical Leadership*- Ethical leadership involves management influencing employees through rewards for good behavior and punishments for bad behavior. Managers who practice ethical leadership are often seen as trustworthy in the eyes of their employees and their employees have a more positive outlook on their job tasks (Bouckenoghe, Zafar, & Raja, 2015)
4. *Job Performance*- Job performance consists of job related tasks that is expected of employees and how well the activities are executed. Job performance can be impacted by an employees' attitude, perceptions of management, and motivation (Valentine, Varca, Godkin, & Barnett,

2010).

5. *Job Satisfaction*- Job satisfaction is the positive emotional state that results from an employee's job experience. Employees with a high level of job satisfaction will be highly motivated to work and view their work environment in a positive light (Valentine, Varca, Godkin, & Barnett, 2010).

Theoretical Framework

Numerous studies have identified the connection between ethics and job performance. A business that has good ethical practices is more likely to have employees who are highly motivated and perform well at their job. If a business demonstrates poor ethical practice, then the employees will not be motivated to work, thus their job performance will suffer. An employee's work environment also plays a role in the ethical perception of employees, due to attitudes of management, as well as other employees. In a retail environment, it is crucial for management to encourage strong ethical practices among employees, since motivation in the industry is low and employee turnover is high. Also, in the retail environment, management plays a crucial role in portraying the organizational culture to employees. Ethics is a component of the organizational culture and at times is not considered by management to be an important component of employee performance.

Literature Review

Employees who act unethically at work often engage in deviant behavior. Deviant behaviors can cause psychological and physical harm to organizations and employees. Deviant behavior is difficult to estimate due to the variation of incidences related to the topic. In a recent study, the cost of violence and aggression in the workplace annually 4.2 billion dollars, stealing and robbery cost 40 to 120 billion dollars, and delinquent behaviors cost 6 to 200 billion dollars for organizations impacted by these events (Golparvar, 2016). Deviant behaviors in the workplace are divided into two groups based on the intended behavior. The two groups are deviant behaviors toward the company and towards individuals. Deviant behaviors toward the

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company include tardiness, absenteeism, destruction of company property, and company theft. Deviant behaviors towards individuals include gossiping, verbal abuse, and stealing from coworkers. Unethical and deviant behavior can also be performed individually or in groups. The impact of deviant employee behavior is a serious issue facing organizations. An organization whose employees commit stealing, damage company property, participate in both verbal and nonverbal aggression, absenteeism, as well as other deviant behaviors will not succeed in achieving its goals and missions (Golparvar, 2016).

In the study conducted by Golparvar, 275 employees from two industrial organizations participated in a survey relating to job stress, emotional exhaustion and deviant behavior. The employees were asked to rate various items on a scale from 1 to 7, with 1 being never and 7 always. It was found that job stress related positively to emotional exhaustion and emotional exhaustion related significantly and positively to deviant behaviors (Golparvar, 2016).

Deviant and unethical behavior in the workplace can also contribute to a high turnover rate among organizations. In the retail industry, sales workers account for over 10 million employment positions in the United States. Most retail positions are seasonal or part-time. In 2013, the turnover rate in the retail industry was 73.7% which was 15.9% above the national average for that year. Work culture in the retail industry is a key determinant to whether ethical behavior is encouraged. It has been found that collectively, the effect of organizational employees' ethical perceptions generate shared ethical work norms within the work environment, positively stimulate employee attitudes towards their jobs and the organization as a whole, and influencing ethical decision making processes within the organization. Organizations are beginning to recognize the value of ethical practices in enhancing their image and reputation, as well as their competitive advantage (Lee & Ha-Brookshire, 2017).

Ethical climate has been positively associated with factors, such as job attitude, turnover intention, and organizational commitment. Ethical climate is the employees' shared perceptions of what is ethical behavior and how ethical issues should be handled. It is found that an important role in organizational performance is how an organization's guidelines and culture interact with the perspectives of employees and their perception of the work environment. The

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presence of an ethical environment has presented a variety of favorable outcomes among employees that directly contribute to organizational performance. Also, it has been found that unethical organizations may risk a decline in market shares, high employee turnover rates, reduced profits, and poor relationships with suppliers. In the research, it was shown that turnover intention has mediating effects between ethical climate and perceived organizational stability performance. Research finds that employees' positive attitudes towards their jobs not only reduced their turnover intention, but also their organization's climate and environment could reduce turnover intention. Additionally, ethical climate and turnover intention is found to be highly influential for organization performance in the service industries (Lee & Ha-Brookshire, 2017).

It has also been found that an employee's ethical decision making is considered as an important aspect of job performance. Job satisfaction also plays a role in both company ethics and job performance. Job satisfaction is the positive emotional state resulting from the appraisal of one's job and job experience (Valentine, Varca, Godkin, & Barnet, 2010). Employees that are satisfied will not only be motivated to work with effort, but will be willing to spend emotional capital by performing duties that may be outside their defined job description. Ethical performance is characterized by work conduct that follows established standards of acceptable behavior. Research suggests that both poor performers and high performers are more likely to leave an organization in comparison to acceptable performers. Employees with intentions to leave an organization perform minimal performance standards for their own self-interests. When employees begin to detach themselves from companies, they are less likely to take on broader responsibilities that are associated with good performance. Also, positive job response appears to have an impact ethical performance and employees who report more positive responses to work rate more ethical in performance of their jobs by their immediate supervisors. In the study, surveys were sent to 120 managers and 92 of the surveys were usable in the data. Employees of the company were given a different survey than that of the managers. Through the surveys, it was found that positive job response was related to job satisfaction and the intention to stay at a company. (Valentine, Varca, Godkin, & Barnet, 2010).

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Also, employees tend to be less stressed and have greater job satisfaction when they work under a leader who acts as a source for ethical guidance. Managers have an important role in the ethical perspectives of their organization. Under an ethical management perspective, employees have more access to psychological resources, especially interpersonal trust. In this type of environment, employees are more likely to feel able to express their inner feelings without creating a negative image in workplace interaction. Also, employees are less likely to engage in deviant and unethical behavior that will be harmful to management. The employees that are managed in an ethical perspective are more likely to achieve better work performance in the organization. Studies have indicated that under the management of an unethical leader, employees are directly enforced to do either what the manager does or what the manager expects them to do without internalizing the deviant behavior. In the research process, data was collected at two time points with a three-month gap and a pre and post-test were administered to 45 teams consisting of 45 leaders and 247 employees. Through interpretation of the data, it was determined that perceived ethical leadership was positively correlated with trust in leaders and negatively correlated with emotions. It was also found that employees' trust in leaders was negatively correlated with employee burnout (Mo & Shi, 2017).

Employees can become dissatisfied and their performance decreases when management expectations of them are inconsistent. This concept impacts the organization's overall ethical climate. Ethical climate relates to the employee's perceptions about the organization's current business practices, procedures, norms, and values with an ethical content that provides examples of behaviors that are acceptable. Employees develop a positive attitude toward the organization when the company has standards that help them distinguish between ethical and unethical behaviors. Ethical climate can help the employee avoid in engaging in unethical behaviors, such as using deceptive or coercive selling practices that will harm the employee, due to increased stress levels (Jaramillo, Mulki, & Solomon, 2006).

The research sample in the study conducted by Jaramillo, Mulki, and Solomon a survey was distributed among 265 salespeople and 138 were usable responses in the study. The results of the survey indicate that ethical climate is a predictor of numerous organizational outcomes,

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such as job satisfaction. The results also found that satisfied employees are more likely to develop a positive emotional attachment to the organization, which results in better performance and organizational commitment leads to higher job performance (Jaramillo, Mulki, & Solomon, 2006).

Ethical leadership is another key component that can influence an employee's job performance. Managers that practice ethical leadership will encourage employees to reach their potential at work. Ethical leaders have a positive impact on their employees because by rewarding or punishing appropriate or inappropriate behavior, they demonstrate to employees the right thing to do on the job. Ethical leaders are likely to be seen as trustworthy and attractive role models who promote identification with the organization by effectively communicating values and goals that relate to their employees' goals and values. Through a six-week period of the study, goal congruence and the data measures for ethical leadership were collected at a group level to be consistent with past research studies and the ideology that employees working in the same group are likely to experience similar leadership behaviors. It was found in the research that a follower-leader goal congruence is an important intervening factor in the ethical leadership-performance relationship (Bouckenooghe, Zafar, & Raja, 2015).

Methodology

Design

The purpose of the study is to determine the relationship between ethics and overall employee performance in a retail business setting. To obtain primary data from the unit of study, self-administered questionnaires will be distributed to full-time and part-time employees from five different retail stores. This method ensures that employees will provide accurate responses in regards to ethical and unethical behavior in the workplace. The questionnaire will be administered to different stores to ensure that the instrument is reliable through the concept of inter-rater reliability. Also, the questionnaires will be administered at two points in time with a six-month gap in between, to ensure test-retest reliability. This is to determine the consistency of the results suggested in the hypotheses. The questionnaire will measure an employee's ethical

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standards and its impact on their job performance. Before administering the questionnaire, it will be reviewed to determine that it is both a reliable and valid measurement. In this study, three hundred and fifty valid questionnaires will be administered. The study can be considered a pattern-matching NEDV design, due to the number of variables and outcomes in the study.

Sampling

Three hundred and fifty full-time and part-time retail employees from five different retail store chains will be used as participants. The participants will be the people who are currently employed by the three different retail chains. The study will consist of seventy employees in each of the five stores totaling the sample size to three hundred and fifty. The participants in the study range from the ages of 16 to 72. The study will use the simple sampling method to select participants. The sample for the study will be three hundred and fifty employees (n=350).

Instrumentation

The instrumentation that will be used in the study is a questionnaire consisting of ten questions. The content of the questions will be divided into two questionnaire formats. Five questions in the questionnaire will consist of employees ranking items on a 1-to-5 Likert scale. The Likert scale type questions will rank a work related behavior, whether ethical or unethical from 1 to 5, with 1 (strongly disagree), 2 (somewhat disagree), 3 (undecided), 4 (somewhat agree), and 5 (strongly agree). The remaining five questions will be in a dichotomous response format where there are only two responses and the employee must pick one response. The questionnaire seeks to measure employees' ethical practices in relation to their job performance over a six-month time period.

The sample questions for the Likert scale section of the questionnaire consist of the following:

1. The organization that I work for is one that continuously practices ethics.

1	2	3	4	5
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2. I feel comfortable with my current work environment.

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1 2 3 4 5

3. When I see a coworker act in a way that poses a risk for both the company and other employees, I inform management.

1 2 3 4 5

4. When I inform management of a conflict at work, they are responsive.

1 2 3 4 5

5. Performing behaviors, such as stealing, not showing up for work, destruction of company property, tardiness, and bullying are acceptable in the workplace.

1 2 3 4 5

The sample questions for the dichotomous response format consist of the following:

1. Has there been a situation where you or another coworker acted unethically?

Yes No

2. Do you believe that your work environment influences you to perform your best?

Yes No

3. Does your company have a clear code of ethics?

Yes No

4. Do members of management follow the company's ethics policy?

Yes No

5. Do you believe that the ethical behaviors of those around you influence your job performance?

Yes No

Data Collection and Analysis

Three hundred and fifty questionnaire responses will be collected from employees at two different times with a six-month gap in between to analyze the ethical perceptions of the employees and gain insight to the ethical environment that exists in the participating retail stores. The data collected from the questionnaires will be divided by the specific retail store, as well as the age of the employees. A quantitative research methodology approach will be used in the research, which will be conducted by pre-test and post-test questionnaires in two different time frames. The questionnaires will contain the same questions, but will be administered six months apart from the previous questionnaire. The questionnaires will contain questions based on a Likert scale and dichotomous response.

Analysis will be conducted by using tables, charts and figures to organize the data. Frequencies of the responses and percentages from the questions in the questionnaire and observed data will be organized to demonstrate the correlation between ethics and employee performance. The data from the five different retail stores will be against each other, offering a comparative view between the five stores. This is to determine if the stores each have their own unique code of ethics that the employees follow and if that code of ethics is creating a positive work environment for employees to thrive. The data collected will be analyzed using both frequency distribution and correlation. In the analysis, the t-test formula will be used to calculate the correlation. The process of double entry will be used on the data to ensure that all of the data collected is accurate.

Protection of Human Rights

To protect the rights of the employees participating, they will be asked to confirm their consent at least one week before the questionnaire is administered and they can choose to withdraw from the study at any time. The questionnaires will be anonymous and the participant's confidentiality will be protected. When the study has concluded, each participant will receive a copy of the study.

Discussion

It is expected in the research, that ethics will directly impact an employee's job performance. The understanding of ethics and employee performance is important due to the increase of technology and the changing business environment. It is important to understand that employees will be motivated and behave ethically at work, if they are surrounded by a positive work environment and management who are trustworthy and ethical themselves. If the employee is not surrounded by an ethical work environment, the employee begins to develop deviant workplace behaviors that decrease motivation and job performance. Promoting good ethics within organizations begins at the top level of management, since they have a greater influence company wide. In order for an employee to exhibit good job performance, the employee must have a strong ethical background and be highly motivated. If more businesses practice good ethics, employees would be more motivated to do their jobs and would perform better at accomplishing work related tasks.

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