

# Ethical climate, corporate social responsibility and organizational performance: evidence from the UAE public sector

Sherine Farouk and Fauzia Jabeen

## Abstract

**Purpose** – Research about ethical governance and corporate social responsibility (CSR) in the United Arab Emirates is still in its infancy. This study aims to explore the public sector employee's perception toward ethical climate, codes of ethics and CSR and its impact on organizational performance. This research sheds light on the link between formalized ethical procedures and employee responses including CSR, organizational engagement and organizational performance.

**Design/methodology/approach** – Data were collected from 426 middle-level public sector employees in Abu Dhabi, the capital of the United Arab Emirates, using structural equation modeling to test the proposed hypotheses.

**Findings** – The findings of this study suggest that an ethical climate is an important organizational component, and that the incorporation of effective codes of ethics and CSR initiatives is desired. Perceptions of public sector employees are positively influenced by the organization's ethical climate and CSR activities, which in turn affect organizational performance.

**Research limitations/implications** – The study provides managerial insights for improving the ethical climate and CSR within the public sector context in the United Arab Emirates.

**Practical implications** – The study offers implications for public sector employers and points out that public sector employers should formulate policies to boost the ethics and CSR environment at workplace to attain competitive advantage.

**Originality/value** – The paper contributes to the literature by being one of the first to study organizational ethical climate and CSR within a Middle Eastern public sector context and offers implications for theory and practice.

**Keywords** United Arab Emirates (UAE), Corporate social responsibility (CSR), Ethical climate (EC), Organizational performance (OP), Public sector

**Paper type** Research paper

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## Introduction

The significance of an ethical climate and corporate social responsibility (CSR) to achieve sustained competitive advantage has gained increased scholarly and practitioner interest (DeConinck, 2011; Simha and Cullen, 2012; Lee *et al.*, 2012; Moon and Choi, 2014). There is growing evidence that unethical decisions often undermine the financial performance of organizations (Clark and Leonard, 1998; Pelletier and Bligh, 2006). Organizations are under tremendous pressure to maintain a conducive ethical climate and to pursue socially responsible behavior (Kapstein, 2001). Employees are the prominent stakeholders, and they can influence the firm's operations and profitability (Greenwood, 2007). Many employees want to be associated with

Received 3 January 2017  
Revised 4 August 2017  
Accepted 18 September 2017

socially responsible organizations ([Viswesvaran and Ones, 2002](#)) and, at the same time, desire that their organizations are able to compete effectively in the marketplace ([Lee et al., 2013a, 2013b](#)).

Many researchers have studied the perception of stakeholders in relation to ethics and CSR in many developed and developing country contexts ([Jamali and Sidani, 2008](#); [Planken et al., 2013](#); [Sidani and Jamali, 2010](#)). However, especially in the Middle East and North Africa region, we know little about how employees in the public sector view the importance of ethics and socially responsible behavior. The originality of this study is that it links several underexplored variables in this region and their links to organizational performance (OP). In doing this, we contribute in three ways. First, we establish understudied relationships pertaining to ethics variables and OP. Second, we tackle an interesting context of study that has not been the target of significant research attention. Third, we offer practical implications for practitioners and policymakers.

### *Ethics and corporate social responsibility in the United Arab Emirates public sector*

Over the past couple of decades, United Arab Emirates (UAE) has emerged as a fast-developing economy that has strived to adopt Western developmental techniques in many areas ([Anadol et al., 2015](#)). The energy sector represents the foundation of the UAE's wealth and is a key source of revenues that are used to finance continuing economic development and diversification. The country has the world's seventh-largest proven reserves of both crude oil and natural gas, according to the [World Energy Council \(2016\)](#). Investments have increased across all sectors; the value of the contribution of the private sector has increased in the implementation of projects from 190.2bn dirhams in 2013 to 201.9bn dirhams in 2014, a growth of 6.2 per cent. The share of the government and public sector has increased in the implementation of investment from 131.4bn dirhams in 2013 to 146.0bn dirhams in 2014, a growth rate of 11.1 per cent ([United Arab Emirates Ministry of Economy, 2015](#)). Hence, in the UAE, public sector organizations play a significant role in the overall economic development of the country.

To achieve sustainable growth at the individual, organizational and national level, various strategies and initiatives such as CSR and ethical practices are encouraged by the UAE Government ([Anadol et al., 2015](#)). Worldwide, many firms are attempting to institutionalize good ethics by establishing a formal code of ethics, credos, ethical values statement and/or codes of conduct ([Ki et al., 2012](#)). Many UAE business and government organizations perform in an ethically responsible manner from an Islamic perspective, according to the findings of a study by the Gulf Centre for Excellence in Ethics ([Carvalho, 2001](#)). However, many UAE organizations do not have written codes of ethics or formal training programs to guide the ethical conduct of employees ([McKechnie et al., 2007](#)). There is recognition, however, that operating ethically will not only enhance corporate reputation but also increase profitability by having a highly motivated and competent workforce ([McKechnie et al., 2007](#)).

Regarding the workforce employment, there is a strong preference of UAE nationals for public sector jobs ([Al-Waqfi and Forstenlechner, 2012](#); [Sidani and Al Ariss, 2014](#)). Because of Emiratization, the UAE public sector employs a significant number of nationals. Nationals are absorbed into the public sector and receive generous compensation packages and smooth working conditions ([Sherif, 2013](#)). The advantages of working in the public sector include various benefits such as office-based work, short work days and jobs of a service or an administrative nature rather than jobs requiring technical expertise or physical exertion ([Al Ali, 2013](#)). The public sector is so keenly preferred by Emiratis that many of them avoid working in the private sector despite abundant opportunities there, even when sustained unemployment is a consequence ([Daleure and Al Shareef, 2015](#)).

Scholars have reported a variance between public and private employees' ethical awareness and CSR orientation in various contexts (Mujtaba *et al.*, 2011). In the UAE context, limited studies have been carried out on ethical climate (McKechnie *et al.*, 2007) and CSR (Katsioloudes and Brodtkorb, 2007; Rettab *et al.*, 2009; Anadol *et al.*, 2015; Goby and Nickerson, 2012; 2014). Further, previous studies neither investigated these variables in a public sector context nor tested relationships between ethical climate, code of ethics and OP. The proposed study is an attempt to address the current gap, and the findings will provide insight for policymakers and employers, as well as help in the effective formulation of policies and the design of support programs to promote an ethical and socially responsible culture in the workplace.

The main objective of this paper is to investigate public sector employees' perceptions of ethical climate, code of ethics and CSR and impact on OP. We use structural equation modeling (SEM) to test those relationships. Next, we present a review of the literature on ethical climate, code of ethics, CSR and OP, and a series of hypotheses is proposed. Later, the research methodology is presented, and a detailed description of data and analysis is provided. The next section presents the research findings and discussion. The last section provides conclusions, limitations, suggestions for further research and a few recommendations that might help enhance the ethical climate and promote CSR practices in the UAE public sector organizations.

## Literature review

### *Ethical climate, code of ethics and organizational performance*

Earlier research studies on ethical climate have reported the antecedents of ethical climate in many categories: employees, leadership, organization and environment (Weeks *et al.*, 2006; Mayer *et al.*, 2010; Zhu *et al.*, 2011; Shin, 2012; Wimbush *et al.*, 1997; Weber and Seger, 2002). Differences in ethical climates have been found across different national and regional settings (Deshpande *et al.*, 2000; Lin, 2011). Ethical climate has been found to have a significant impact on job satisfaction (Mulki *et al.*, 2006; Shapira-Lishchinnsky and Even-Zohar, 2011; Wang and Hsieh, 2012), turnover intentions (Stewart *et al.*, 2011), engagement (Tseng and Fan, 2011), loyalty (Leung, 2008) and unethical behavior (Mayer *et al.*, 2010). Employees' sensitivity to ethical climate was positively associated with job satisfaction (Babin *et al.*, 2000; Martin and Cullen, 2006), trust in the organization (Mulki *et al.*, 2006), organizational commitment (Koh and Boo, 2004), ethical behavior (Shacklock *et al.*, 2011; Fu and Deshpande, 2012), organizational citizenship behavior (Shin, 2012) and OP (Berrone *et al.*, 2007; Gonzalez-Padron *et al.*, 2008). Ethical climate was also found to be positively related to customer satisfaction, as well as to financial performance mediated by perceived organizational innovation (Moon and Choi, 2014).

Often, employees are unaware of organizational codes of ethics (Wotruba *et al.*, 2001), although awareness about the code of ethics can result in ethical behavior (Singhapakdi and Vitell, 2007). Establishing a code of ethics sends the signal to employees that their organization cares about ethics. This helps in setting a positive tone in the organization about the importance of ethical behavior in the organization. Previous studies have indicated that the mere presence of a code of ethics seems to have a positive impact on how employees perceive ethical behavior in the organization, even in instances when they cannot recall specific content of the code (Adams *et al.*, 2001).

### *Ethical climate, corporate social responsibility and organizational performance*

Recent years have witnessed much investigation into the understanding and implementation of CSR beyond Western contexts (Arevalo and Aravind, 2011; Goby and Nickerson, 2014; Jamali and Sidani, 2012). Studies have assessed the link between employee insights of CSR and its impact on their work performance and attitudes (El Akremi

*et al.*, 2015). Many companies consider CSR an important corporate strategy for achieving a competitive advantage (Kim *et al.*, 2012). A company's participation in CSR activities may lead employees to develop positive perceptions about the company (Lee *et al.*, 2013a, 2013b). Subsequently, when employees form positive attitudes toward work, competitive advantages can be realized (Lee *et al.*, 2012). Previous research (Lee, 2008; Carroll and Shabana, 2010; Lindgreen and Swaen, 2010) has focused on the tangible and financial benefits of CSR action including reducing cost and risk, increased competitive advantage and corporate financial performance. However, the link is not totally established (Agle *et al.*, 1999; Heinze *et al.*, 1999; Jin and Drozdenko, 2010), and there remains much to uncover in various national contexts and various sectors in that regard. However, many researchers (Beurden and Gössling, 2008; Lindgreen *et al.*, 2009; Jin and Drozdenko, 2010) found a significant link between a corporation's ethical commitment and its financial and non-financial performance. In a UAE-based study, Rettab *et al.* (2009) reported that there is a direct link between CSR activity and the financial performance of Dubai-based corporations, as well as a direct link between CSR activity and both corporate reputation and employee commitment. An awareness of a corporation's CSR initiatives and the causes with which they are associated are important internal outcomes for stakeholders such as consumers and employees and will influence their loyalty (Du *et al.*, 2010; Lee *et al.*, 2013a, 2013b), job satisfaction and organizational trust (Lee *et al.*, 2012).

Organizational leaders play a vital role in shaping ethical climate by communicating and implementing ethical policies and practices. When leaders develop ethical guidelines, communicate expectations and establish consequences of violating organizational norms, employees are more likely to comply with ethical expectations (Grojean *et al.*, 2004; Ghosh, 2015). Shin *et al.* (2015) highlighted that ethical leadership significantly predicts ethical climate, which in turn affects the two organizational outcomes, namely, firm-level organizational citizenship behavior and firm financial performance. The importance of leadership in the context under study has been highlighted in several prior studies, and the important link with CSR has been highlighted (Al-Salem and Speece, 2017; Avina, 2013; Hodges, 2017; Sidani, 2008). Employees who are satisfied with their organization's social responsibility are likely to be more positive, more engaged and more productive than those working for less responsible organizations (Lin, 2010).

### *Proposed hypotheses*

We propose that ethical climate is an important precursor for OP. In this regard, we do not claim that this is the only antecedent. Of course, OP is dependent on several factors including tangible factors (financial resources, asset-base, technical resources, etc.) and intangible factors (employee commitment and engagement, job satisfaction, organizational citizenship behaviors, etc.). Our aim is to focus on just one of the antecedents, which is the ethical climate.

The rationale for our hypothesis stems from the fact that where an ethical climate exists, there is a higher propensity for companies to develop a code of ethics, which ultimately impacts OP. In addition, the presence of an ethical climate is more likely to positively impact CSR action within organizations and employee engagement. Eventually, all three factors (ethical climate mediated by code of ethics, CSR behaviors and organizational engagement [OE]) positively impact OP.

Accordingly, we present the following hypotheses:

- H1. Ethical climate is positively associated with code of ethics.
- H2. Ethical climate is positively associated with CSR.
- H3. Ethical climate is positively associated with OE.
- H4. Code of ethics is positively associated with CSR.

- H5. Code of ethics is positively associated with OE.
- H6. Code of ethics is positively associated with OP.
- H7. CSR is positively associated with OP.
- H8. OE is positively associated with OP.
- H9. OE is positively associated with CSR.

### Proposed conceptual model

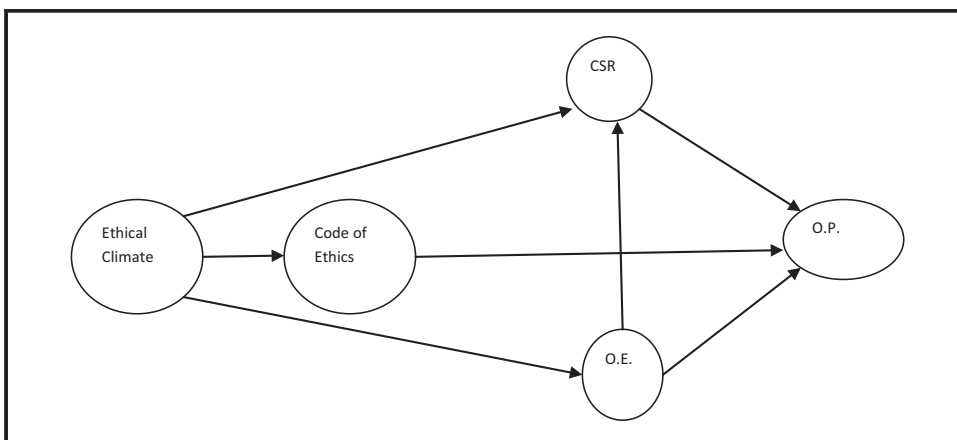
The proposed conceptual model is depicted in [Figure 1](#). The effect of the ethical climate is hypothesized to influence CSR, code of ethics and OE. CSR, code of ethics and OE are hypothesized to directly influence OP.

### Research methodology

Data were collected using a pre-tested questionnaire gleaned from the literature ([Cullen et al., 1993](#); [Singhapakdi and Vitell, 2007](#); [Lichtenstein et al., 2004](#); [Montgomery and Stone, 2009](#); [Saks, 2006](#); [Menon et al., 1996](#); [Moorman, 1995](#)), and the variables were measured on a seven-point Likert scale.

A total of 600 copies of the questionnaire were distributed to 16 different types of Abu Dhabi-based public sector companies such as oil and gas, education, real estate, banking, health care, police and judiciary, manufacturing and services. Respondents identified by each company's human resources department were selected through stratified sampling. To capture their responses, a structured questionnaire, prepared in English and Arabic, was delivered in person or by e-mail. The translation was done by a bilingual expert. Once the Arabic questionnaire was completed, it was translated back into English by the translator for the better understanding of the researchers. Additionally, the researchers were well-versed in the Arabic language, which eased the translation process and understanding of the content. The given population of the public sector workforce is approximately 288,740 [[Statistics Center Abu Dhabi \(SCAD\), 2017](#)]. The researchers received 425 completed questionnaires with a response rate of 70.8 per cent and found the sample satisfactory, as suggested by [Krejcie and Morgan \(1970\)](#). Additionally, the required sample size was determined using Cohen's power analysis procedure ([Cohen and Cohen, 1983](#)) to ensure statistical validity.

**Figure 1** Conceptual model



## Measurement items

This study used a structural equation model to assess public sector employees' perception toward ethical climate, code of ethics and CSR on their OP. All of the measures used in this study were drawn from existing literature and adapted to the context of the current study. The ethical climate was measured through a three-item modified scale adapted from Cullen *et al.* (1993) and focused on only two dimensions of ethical climate, i.e. company profit and social responsibility. The code of ethics used four items adopted from Singhapakdi and Vitell (2007). Among the three sub-dimensions of employee perception of CSR activities, the study focused on philanthropic and environmental CSR, and a modified scale adapted from Lichtenstein *et al.* (2004) and Montgomery and Stone (2009) was used for this study. OE was measured through a modified three-item scale developed by Saks (2006). Perceived corporate performance was defined as perception of organizational general outcomes. The measure was adapted from Menon *et al.* (1996) and Moorman (1995).

## Results

### Sample characteristics

The sample comprised respondents belonging to different age groups: 13.1 per cent were less than 25 years, 28.4 per cent were between 26 and 30 years, 27 per cent were between 31 and 35 years, 16.9 per cent were between 36 and 40 years and 11.2 per cent were 41 years or older. Most of the respondents (66.2 per cent) had graduate and master's degrees. The majority of the respondents (57 per cent) had less than 5 years of experience with the current employer (Table I).

A two-step analysis process was followed to validate the model (Anderson and Gerbing, 1988). First, the overall construct validity of the measures was examined. The next step used the SEM approach using IBM SPSS AMOS 18 so that the hypothesized relationships could be tested. The aim of this approach is to determine whether the study's model is an acceptable representation of the data collected. All the study's constructs were measured using a seven-point Likert scale with "Strongly Disagree" and "Strongly Agree" as the end points. According to Table II, all factor loadings were significant and above 0.5 except for the third item in the code of ethics construct, which was deleted.

The composite reliabilities (CR) values ranged from 0.749 to 0.883, above the 0.70 cut-off, indicating internal consistency of all constructs (Bagozzi and Yi, 1988; Hair *et al.*, 2006). The average variance extracted (AVE) values ranged from 0.508 to 0.718, above the recommended cut-off of 0.5 (Bagozzi, 1980; Bagozzi *et al.*, 1991; Fornell and Larcker, 1981); thus, convergent validity is considered satisfactory. The square root of the AVE value was larger than the inter-construct correlation coefficients (Chin, 2010; Fornell and Larcker, 1981); therefore, the measures' discriminant validity is supported as well. The fits of the constructs with over three items are also reported in Table II.

After validating the scales, the examination of the hypothesized path could proceed. The chi-square was  $\chi^2 = 485.9$  with 107 degrees of freedom. The examination of the comparative fit index (CFI = 0.935), the Tucker-Lewis Index (TLI = 0.917) and the root mean square error of approximation (RMSEA = 0.091) suggests that the measurement model fits the data well enough, as the CFI and TLI values are above 0.90 and the RMSEA is less than 0.08 (Hu and Bentler, 1999; Kline, 2005); thus, the hypotheses testing could proceed.

### Hypotheses testing

Table III presents the path results of all study hypotheses. According to the SEM results, *H1* ( $\gamma = 0.758$ ,  $p < 0.01$ ), ethical climate, has a significant impact on code of ethics. Moreover, *H2* and *H3* are also verified, as this construct also impacts CSR ( $\gamma = 0.703$ ,  $p < 0.01$ ) and OE ( $\gamma = 0.650$ ,  $p < 0.01$ ), respectively. According to *H4*, code of ethics has an impact on

**Table I** Demographic characteristics

| <i>Demographic variables</i>                  | <i>Categories</i>         | <i>Frequency</i> | <i>(%)</i> |
|-----------------------------------------------|---------------------------|------------------|------------|
| Age                                           | >25                       | 56               | 13.1       |
|                                               | 25-30                     | 121              | 28.4       |
|                                               | 31-35                     | 115              | 27         |
|                                               | 36-40                     | 72               | 16.9       |
|                                               | 41-45                     | 38               | 8.9        |
|                                               | 46 and above              | 24               | 5.6        |
| Education                                     | High school               | 45               | 10.6       |
|                                               | Diploma                   | 53               | 12.4       |
|                                               | Secondary school          | 18               | 4.2        |
|                                               | Graduate                  | 170              | 39.9       |
|                                               | Postgraduate              | 112              | 26.3       |
|                                               | PhD                       | 13               | 3.1        |
| Years served at present company               | Professional certificates | 12               | 2.8        |
|                                               | Less than 2 years         | 128              | 30.0       |
|                                               | 2-5 years                 | 115              | 27.0       |
|                                               | 5-10 years                | 94               | 22.1       |
|                                               | 10-15 years               | 55               | 12.9       |
|                                               | 15-20 years               | 24               | 5.6        |
| Formal ethics training received               | More than 25 years        | 9                | 2.1        |
|                                               | Yes                       | 147              | 34.5       |
|                                               | No                        | 226              | 53.1       |
|                                               | Uncertain                 | 53               | 12.4       |
| Organizational workforce                      | Less than 50              | 74               | 17.4       |
|                                               | 51-100                    | 47               | 11.0       |
|                                               | 101-250                   | 39               | 9.2        |
|                                               | 251-500                   | 36               | 8.5        |
|                                               | More than 500             | 224              | 52.6       |
| Employee perception of organizational success | Very successful           | 133              | 31.2       |
|                                               | Successful                | 230              | 54.0       |
|                                               | Average                   | 18               | 4.2        |
|                                               | Below average             | 41               | 9.6        |
|                                               | Poor                      | 4                | 1          |

OP ( $\gamma = 0.222$ ,  $p < 0.01$ ) in a significant way. Additionally, OE impacts CSR ( $\gamma = 0.110$ ,  $p < 0.05$ ), and therefore  $H5$  is verified as well. Finally, OP has as antecedents the construct of CSR ( $\gamma = 0.112$ ,  $p < 0.05$ ) and that of OE ( $\gamma = 0.353$ ,  $p < 0.01$ ), verifying  $H6$  and  $H7$ , respectively (Figure 2).

## Discussion

This research examines the impact of employee perceptions of ethical climate, codes of ethics and CSR on OP in public sector settings. It fills a void that has remained largely unfilled by preceding studies in the emerging economies. The results suggest that perceived ethical climate and CSR induce positivity that improves OP. The results demonstrate that ethical climate has a significant effect on code of ethics and CSR, which, in turn, influence employees' perception toward OP. Furthermore, the results indicate that UAE public sector companies should consider employees' perception of ethical climate and CSR.

Publicizing a company's ethical and CSR activities can make employees feel proud of working for an ethical and socially responsible company. Companies should establish an organized and equitable code of ethics and conduct awareness trainings to make employees aware of the suitable actions that they need to follow. Employees perceive an ethical climate through a code of ethics and CSR activities. Additionally, OE must be regarded as a long-term and ongoing strategy that eventually involves employees in the

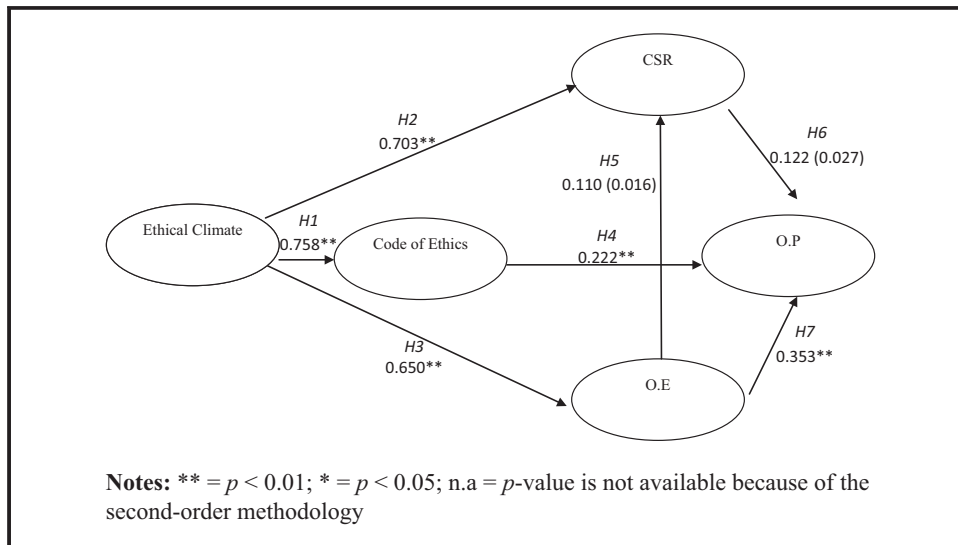


| Table II Item loadings and fits                                                                                                   |                            |       |       |
|-----------------------------------------------------------------------------------------------------------------------------------|----------------------------|-------|-------|
| Construct                                                                                                                         | Standardized item loadings | AVE   | CR    |
| <i>Ethical climate</i>                                                                                                            |                            | 0.597 | 0.816 |
| People in this company view team spirit as important                                                                              | 0.801**                    |       |       |
| People in this company are actively concerned about the customer's and the public's interest                                      | 0.752**                    |       |       |
| People in this company have a strong sense of responsibility to the outside community                                             | 0.765**                    |       |       |
| <i>Code of ethics</i>                                                                                                             |                            | 0.508 | 0.749 |
| My organization conducts ethics audits on a regular basis                                                                         | 0.705**                    |       |       |
| Top management is involved in ethical training programs                                                                           | 0.863**                    |       |       |
| My organization has an ethics committee or team that deals with ethical issues in the organization                                | 0.532**                    |       |       |
| <i>CSR</i> $\chi^2 = 0.343$ , $df = 1$ , $CFI = 0.917$ , $TLI = 0.903$ , $RMSEA = 0.052$                                          |                            | 0.553 | 0.831 |
| Our company has a strong sense of CSR                                                                                             | 0.758**                    |       |       |
| Our company gives adequate contributions to local communities                                                                     | 0.759**                    |       |       |
| Our company has an environmentally related mission                                                                                | 0.805**                    |       |       |
| Our company makes an all-out effort to maintain and preserve the environment                                                      | 0.642**                    |       |       |
| <i>OE</i>                                                                                                                         |                            | 0.718 | 0.883 |
| I am committed to this organization                                                                                               | 0.724**                    |       |       |
| Being a member of this organization is exciting for me                                                                            | 0.980**                    |       |       |
| When I wake up in the morning, I really want to go to work                                                                        | 0.819**                    |       |       |
| <i>OP</i> $\chi^2 = 0.013$ , $df = 1$ , $CFI = 0.932$ , $TLI = 0.918$ , $RMSEA = 0.041$                                           |                            | 0.641 | 0.873 |
| Our company has a competitive advantage in profit growth                                                                          | 0.905**                    |       |       |
| Our company has a competitive advantage in sales growth                                                                           | 0.941**                    |       |       |
| Our company has a competitive advantage in terms of product or service quality                                                    | 0.718**                    |       |       |
| Compared with your industry as a whole, how would you rate your organization's performance in terms of public image and goodwill? | 0.585**                    |       |       |
| Notes: ** = $p < 0.01$ ; * = $p < 0.05$                                                                                           |                            |       |       |

| Table III Model hypotheses and goodness-of-fit statistics |                       |
|-----------------------------------------------------------|-----------------------|
| Hypothesis                                                | Standardized estimate |
| EC → Code of ethics                                       | 0.758**               |
| EC → CSR                                                  | 0.703**               |
| EC → OE                                                   | 0.650**               |
| Code of ethics → OP                                       | 0.222**               |
| OE → CSR                                                  | 0.110 (0.016)         |
| CSR → OP                                                  | 0.122 (0.027)         |
| OE → OP                                                   | 0.353**               |
| Notes: ** = $p < 0.01$ ; * = $p < 0.05$                   |                       |

firm's CSR activities, nurtures loyalty and retains talented employees. This ultimately leads to sustainable OP which will distinguish them from others. These findings suggest that the UAE public sector leaders/managers should establish a positive ethical climate by creating a trustworthy atmosphere based on codes of ethics and CSR strategies, which will help in developing the positive attitudes among employees and will lead to gaining competitive advantages. These findings are consistent with the literature that emphasized the



**Figure 2** Model result

importance of employee perceptions and attitudes on organizational outcomes (Wan, 2010; Back *et al.*, 2011; Lee *et al.*, 2013a, 2013b; Sidani *et al.*, 2009).

Results indicate that a majority (53.1 per cent) of the respondents have not received any formal ethics training in their organizations. Furthermore, a significant number (12.4 per cent) of respondents were unaware of ethics training and were unfamiliar with CSR. The study is consistent with the earlier research performed by Goby and Nickerson (2014) who reported that Emiratiss have low levels of general and specific familiarity about CSR initiatives, and CSR is a largely untapped resource for organizations operating in Dubai, one of the major Emirates in the UAE. This indicates that although public sector employers in the UAE are focusing on these emerging global and socio-developmental phenomena, the workforce is not very engaged in these activities. Public sector employees perceive these variables only through a religious lens and not through the strategic point of view. Employers should follow a strategic approach, engage their employees in these activities and also highlight the importance of ethics and CSR from not only a religious point of view but also an organizational development perspective.

Respondents' age and tenure at the presented organizations contributed significantly to the perceptual understanding of the ethical climate and CSR at their workplace. Older employees (35 years and above) perceived the workplace ethical climate and CSR and its effect on OP as more effective than the younger workforce. As age and length of employment tend to be positively correlated, older employees who have experienced organizational consequences of ethical misconduct and CSR impacts might have a better appreciation. The reasons may be many and varied, such as older employees in public sector companies being experienced and understanding the various social, philanthropic and environmental dimensions of CSR and ethical climate linkage to the firm's performance. Additionally, the longer the tenure is, the better the understanding about ethics and CSR at their current organization will be. Despite the extreme differences in the cultural context as the UAE is a collectivistic society, the findings are in alignment with those of Pelletier and Bligh (2006) from their study conducted in an individualistic society. This agreement in findings shows that Arab nations are becoming influenced by developed countries' approaches and are trying to inculcate these strategic approaches at their work culture. However, the low understanding of ethical climate and CSR among the younger middle level employees denotes that there is a dire need for extensive ethics education at the

university level and also for training programs at the organizational level to make those employees understand the implications and benefits of ethics and CSR at the workplace. Many of the public sector organizations explicitly advertise their ethics and CSR philanthropic and environmental activities on their website; however, it seems that their main intention is to create awareness for external stakeholders, not for the employees.

Additionally, organization size plays a significant role. Firms can show differences in their ethical and socially responsible behavior (Spence, 1999), as firm size is an important variable for CSR practices (Juholin, 2004). Small firms practice what is sometimes called “silent” or “sunken” CSR because their activities are localized and often not publicized (Booz & Co., 2013).

The UAE public sector units, which are bigger in size and employ more workforce (500 and above), are more organized and their employees exhibited better understanding of ethical climate and CSR and its impact on OP. The findings support the previous research (Perrini et al., 2007) done in various national settings, which has reported that large organizations’ ethics and CSR programs are more organized compared to those of small organizations because of various organizational constraints. The *ad hoc* approach to CSR practiced by small firms stands in sharp contrast to the larger firms’ institutionalized and formalized approach. Larger firms are generally keen to transplant their CSR guidelines and operating policies (Booz & Co., 2013).

In sum, the study’s relationships and results supported the importance of ethical climate in organizations. Having such a climate is important for pure moral reasons, and it also can have significant practical impact. This study shows that, more likely than not, companies which strive to implement a positive ethical climate will reap significant benefits in terms of better engagement from employees and positive OP.

## Implications

The study offers pertinent implications for public sector employers and indicates that public sector employers should implement strategies to enhance and inculcate ethics and CSR at its workplace to attain competitive advantage. It introduces a new research paradigm incorporating ethics and CSR through the investigation of public sector employees. For corporate managers working in public sector organizations in Abu Dhabi, UAE who are seeking a viable solution to extend their organization’s investment in ethics and CSR, the study can serve as a guide to the many aspects of ethics, CSR and their impact on OP. The research study tackles a geographic/industrial area that has seldom been explored before. The UAE-based public sector employers should follow a strategic approach in cultivating the ethical climate and CSR orientation at the workplace. Frequent ethics training should be conducted, and companies’ CSR efforts must be advertised and promoted in a clear and consistent manner among all the stakeholders, including employees. Currently, private organizations focus more on ethical climates and CSR for building strong relationships with employees and customers and focus on long-term profit. Public sector firms should also focus on these issues to compete with them. In the business world in the coming years, there will be more attention paid to ethics that lead to CSR. To survive in the public sector in the future, such companies should start work on developing strategies and culture that promote ethical values in the workplace.

## Limitations and scope for future research

There are certain limitations in this study. First, there is a lack of generalizability, as the study was conducted in the public sectors based in the Abu Dhabi region, the capital of the UAE, and hence cannot be generalized to the whole country. Although we examined 16 different public sector units, a representative sampling across multiple public entities was not possible. Second, this study was limited to only middle level managers. Because of the limited research scope that focuses on selected variables, this study did not address other organizational variables. Future studies should attempt

to improve these shortcomings by including more diverse organizational variables such as department, hierarchical level and subculture and other Emirates for further empirical tests. Because of the regional homogeneity, future research can be conducted on the ethical climates and CSR efforts of other UAE/Gulf Cooperation Council-based public and private sector organizations to achieve a broader scope.

## Conclusion

The primary objective of this study was to observe the perceptions of public sector employees on ethical climate, code of ethics and CSR and their impact on their OP. The proposed model was tested on a sample of employees of 16 UAE-based public sector companies, including oil and gas, education, real estate, banking, health care, police and judiciary, manufacturing and services, to learn how their perceptions of the ethical climate and CSR impact their OP. The findings of this study suggest that an ethical climate is an important organizational component, and incorporation of an effective code of ethics and CSR initiatives is worthwhile, as perceptions of public sector employees are positively influenced by the organization's ethical climate and CSR activities, which in turn affect the OP.

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