The ripple effect of organisational inclusiveness on perception of ethical climate - an empirical investigation

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Abstract: Business ethics is considered a key performance indicator for multiple stakeholders such as consumers, suppliers, shareholders, management and society. The adherence to business ethics has changed the way organisations function. The study argues that inclusiveness in an organisation drives several positive outcomes, including the perception of ethical climate. The study also tries to break the loop that suggests inclusiveness is practiced to enable the company to confirm legal requirements instead of a proactive approach. A conclusive research method was adopted in which primary data from 540 respondents was analysed. Findings indicate that inclusiveness at the workplace is a precursor to creating a positive perception of an ethical climate. Increasing inclusiveness and ensuring reduction in discrimination create a stable and positive work culture that enables the employee to positively perceive the environment and climate. The paper will add a new perspective of support for organisations to take a proactive approach toward inclusiveness.

Keywords: organisational inclusiveness; ethical climate; ripple effect of inclusiveness; diversity and inclusion; corporate governance; impact of inclusiveness; workplace inclusiveness.

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Sheeja Krishnakumar has 19 years of experience in teaching and industry. She has a double Post-graduation in Management and Medical Microbiology. Further, she completed her MPhil and PhD in Management. She has published research papers in management and allied areas. She is a reviewer for a management journal, and has published chapters in books.

1   Introduction

Corporate governance and business ethics are lucrative topics for academic debates, research and businesses alike (Katza and Bryne, 2011). The stakeholders' expectations, be it the customers, suppliers, wholesalers, shareholders, investors, funding agencies, employees, or the management, are constantly evolving, and they want to associate only with ethical organisations (Báez et al., 2018). High stakeholders' expectations have pushed or driven organisations to improve their ethical score, comply with all legal requirements, and notch their voluntary ethical practices. Several countries are constantly amending their existing laws and introducing new ones in response to the growing call for ethical behaviour, transparency and corporate governance (Rodriguez-Fernandez, 2016).

Corporate scandals have gained more significance in the last two to three decades. Corporate scandals occur due to negligence of duty by vital personnel, false accounting, shady business practices, data breaches, sexual harassment issues, and poor regard for environmental safety. It has been reported that every reported corporate scandal causes a significant dent in its share prices (Bloomberg, 2018). Despite the financial implications, the number of corporate scandals has not declined, reiterating the importance and need for corporate governance in organisations.

The most noted scandals are elaborated on below to get an understanding of the magnitude of the scandal. Enron in 2001, the emission gate scandal of Volkswagen in 2015, Apple's battery gate scandal, and the Leyman Brothers in 2008 revealed mismanagement of governance resulting in financial implications to them and their stakeholders (Bloomberg, 2018). Financial gains, quick money, absence of clear diversity and inclusion policies, non-implementation of HR policies, and shortcuts to success are some of the objectives resulting in organisations going the wrong way.

Organisations in their urge to reach great heights quickly have exploited the labour force – Foxconn (Comen and Frohlich, 2020), indulged in discrimination and sexual harassment – CBS (Comen and Frohlich, 2020), misused consumer data – Facebook (Bloomberg, 2018), and trespassed the consumer's privacy issues. Uber, in recent years, has been in the news for all the wrong reasons such as poaching drivers, evading law enforcement by using technology, selling users' personal information, and sexual harassment complaints leading to the resignation of Travis Kalanick, then CEO in 2017 (Bloomberg, 2018).

The media and well-wishers have exposed such scandals, fraud, and corruption to the public, resulting in governments tightening the laws and regulations related to corporate governance. These stringent laws should have enhanced corporate governance and in turn a positive ethical climate at the workplace. But this is not always true as the media reveals at regular intervals new corporate scandals and mismanagement at the workplace signifying the need for a stronger and positive ethical climate based on *a deontological approach*. Organisations based on the deontological approach naturally choose the ethical path of functioning as it is the right way to manage organisations resulting in a positive ethical climate.

Apart from their self-driven deontological approach, the governmental requirements on corporate governance have created a need for a robust ethical climate in organisations (Waddock, 2004). Half of the above misgovernance issues discussed earlier at organisations is related to diversity and inclusion management drawing a linkage between

diversity and inclusion and corporate governance. Hence, the need for undertaking the study to find the linkage between organisational inclusiveness and ethical climate.

The objective of the study is as follows:

- To investigate the empirical linkage between organisational inclusiveness and perception of ethical climate. Organisational inclusiveness is measured using sub-factors such as diversity, fairness, uniqueness, issues of discrimination and belongingness.

- To infer the relationship between these sub-factors (organisational inclusivity and discrimination) of organisational inclusiveness in the different types of ethical climates.

- To emphasise the need for a deontological approach to organisational inclusiveness resulting in a positive perception of the ethical climate.

The primary research questions include:

- Does employees' perception of ethical climate matter at all?

- Is organisational inclusiveness given importance in organisations?

- Is there a linkage between organisational inclusiveness and a positive perception of ethical climate?

- What factors of organisational inclusiveness (sum of diversity, fairness, uniqueness, belongingness measured as organisational inclusivity and discrimination) impact the perception of a positive ethical climate at the workplace?

2 Review of literature and research gap: theoretical background
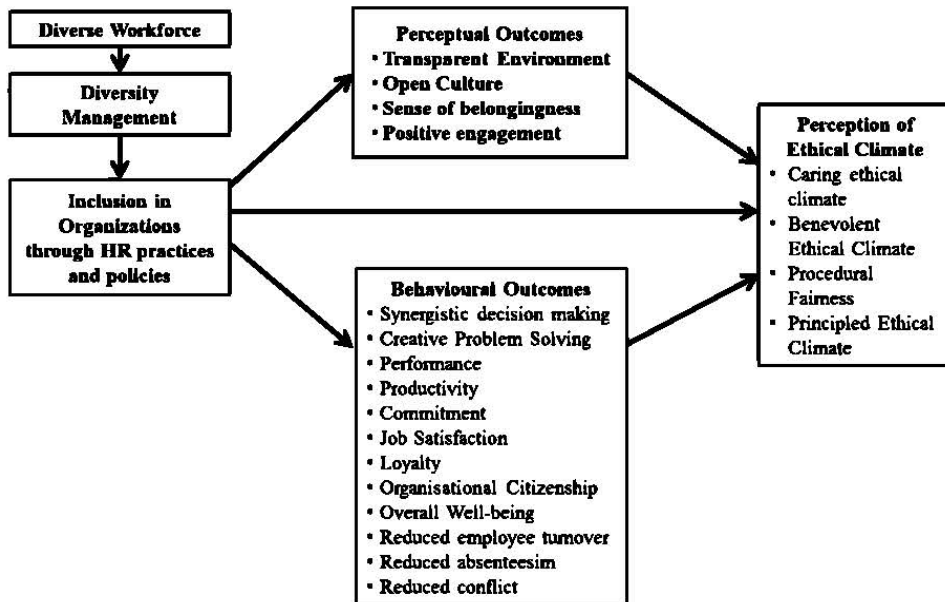
2.1 Diversity and inclusion

Diversity refers to any difference in attributes or features in individuals that result in a perception that they are not the same (Mannix and Neale, 2005). Age, sexual orientation, race, ethical orientation, language, individual capabilities, emotional intelligence, and mental makeup of employees are all considered aspects of diversity (Gita and Thenmozhi, 2015). Globalisation has paved the way for high mobility of the workforce and multicultural dimensions in the workplace; as a result, diversity issues are gaining notice in the workplace (Gita, 2017; Cole and Salimath, 2013). An organisation benefits from having a diverse workforce because it emulates the external environment, including its customers, vendors, the community, and other stakeholders (Gita, 2021). Diversity brings a plethora of benefits, including productivity and commitment (Ely, 2004), and the performance of minorities (Pitts, 2006), which culminates in overall organisational benefits.

Studies also proved that diversity in boards improved a firm's performance (Combs and Luthans, 2007), commitment to ethical standards, corporate social responsibility (Morehead and Schipani, 2018), and governance practices (Buse et al., 2016). In specific contexts, diversity is shown to have no impact or negative impact on the organisation (Foldy, 2004). The below performance could be that the minorities at the workplace need time to become cohesive and productive as they are heterogeneous. Also, Choi and

Rainey (2010) reported that minorities were excluded from critical resources, vital information, and decision-making, leading to poor performance. As diversity in the workplace is inevitable, organisations started establishing formal and informal mechanisms to manage diversity, resulting in new domains of diversity management (Gilbert and Ivancevich, 2000) and diversity identity management (Cole and Salimath, 2013). Diversity identity management entails a broader perspective and is concerned with company policy, procedure, and actions relating to diversity (Ivancevich and Gilbert, 2000). Sometimes, diversity management initiatives were overpowered as certain managers had a bottom-line focus (Pless and Maak, 2004), and employees reacted negatively to it (Dass and Parker, 1999).

Figure 1 Ripple effect model of inclusion on ethical climate

Source: Gita (2021)

Diversity has been enabled by equal employment opportunity and affirmative action laws worldwide, but they have not created an inclusive work environment (Mor Barak, 2011). Therefore, there is an escalating consensus to transit from valuing diversity (passive) to an inclusive (active) work environment (Groeneveld and Verbeek, 2012). Roberson (2006) opines that diversity and inclusion are two disparate but overlapping concepts. Diversity management is a precursor for inclusiveness. *Inclusivity* is defined as the degree of acceptance by others (O'Hara-Devereaux and Johansen, 1994) and how an employee is treated as an insider of the organisation (Pelled et al., 1999).

Inclusion values the uniqueness and differences among employees and guarantees a positive synergistic effect that cascades across the organisation (Pless and Maak, 2004). Inclusive organisations embrace inclusivity not as a compliance measure but as a proactive need for the synergistic growth of their employees. An inclusive organisation considers employees as assets (Sabattini and Crosby, 2008), engages them positively,

generates a sense of belongingness, creates a transparent environment, and stimulates open culture and communication (Ryan and Kossek, 2008; Stewart and Johnson, 2009).

By the ripple effect model of Gita (2021), inclusive organisations witness slow and steady outcomes that ripple and embrace all levels and stakeholders of the organisation. This effect cascades all over the organisation and becomes the driver for organisational success (Cole and Salimath, 2013).

2.2   Ripple effect of inclusiveness in organisations

Inclusive organisations comprise unique and diverse skills enabling them to become high-performing and efficacious. According to the ripple effect model of Gita (2021), inclusivity in organisations results in two types of outcomes – perceptual and behavioural. The behavioural outcomes of inclusivity are performance, commitment, job satisfaction, intention to stay, organisational citizenship and overall well-being (Shore et al., 2011), employee empowerment (Sabattini and Crosby, 2008), reduction in turnover and absenteeism (Horváth et al., 2018).

Perceptual outcomes of inclusivity are open culture, a transparent environment, a sense of belongingness and positive engagement (Gita, 2021). According to Khan et al. (2020), a positive perception of inclusion affects key workplace metrics such as loyalty, commitment, job satisfaction, and better interpersonal relationships (Wolfson et al., 2011). The perception of inclusivity at the workplace guarantees job commitment and productivity (Shore et al., 2011). Organisations with a high perception of inclusivity report lower levels of absenteeism and turnover intentions (Stewart et al., 2011). Kundu and Mor in their study in 2017, has drawn the relationship between employee's perception of inclusion resulting in employee attitude, employee behaviour and organisational performance.

Inclusion and ethics are paramount to the success of an organisation, but they were late entrants in seeking the attention of businesses and researchers alike. Both inclusion and ethics share common ground, such as fairness, equitable treatment and the correct principles (Shore et al., 2011). Diversity management was also used as a measure of corporate governance in a study done by Labelle et al. (2010). In the study, diversity management was used to measure corporate moral development and its relationship to financial reporting quality was studied. It was reported that firms that promoted a corporate diversity management policy developed a positive organisational culture and ethical values (Labelle et al., 2010). In several exiting literature, corporate governance is measured by board diversity including the number of independent directors, gender of the board members, tenure of the board, and the size of the board (Dutta and Bose, 2006; Ekadah and Kiweu, 2012; Marinova et al., 2010). Existing literature has also highlighted the positive relationship between board gender diversity and corporate governance (Fan, 2012; Haslam et al., 2010; Julizaerma and Sori, 2012).

The ethical climate reflects employees' perception of the organisation's ethical policies, procedures and practices (Martin and Cullen, 2006). It has been discovered that perception of ethical climate can vary across teams, levels, and divisions within an organisation (Victor and Cullen, 1988). An organisation's ethical climate reflects its ethics policy and also determines its employees' behaviour on ethical issues at work (Verbeke et al., 1996). Corporate governance in an organisation also impacts the performance of managers in their roles (Maamari and Doumet, 2022).

The majority of the researchers accept that the ethical climate construct is multidimensional with several sub-dimensions such as caring, law and code, rules, instrumental, and independence (Victor and Cullen, 1988). Individuals during their growth develop and display different types of moral reasoning (Kohlberg, 1981). He proposed that individuals progressed from a stage of ethics reigned by fear of punishment to concern for others which finally transformed into concern for universal rights and humanity. These ethical standards were classified as self-interest (egoism), caring (utilitarianism/benevolence) and principle (Kohlberg, 1981; Williams, 1985; Victor and Cullen, 1987). Egoism refers to the behavioural tendency which is self-centred in seeking pleasure and avoiding pain. Benevolence/utilitarianism is concerned with satisfying the interests of people associated with the decision-maker/individual. A principled ethical climate (deontology) results from employees imbibing universal standards and beliefs for the common good of society. This classification of fundamental ethical climate further relies on the focus of analysis used in decision making, namely individual, local and cosmopolitan (Victor and Cullen, 1988). The individual level relies on self as the prime focus for moral reasoning, the local emphasises the groups in society around the individual, and the cosmopolitan level focuses on sources of morality beyond the workplace (Victor and Cullen, 1987, 1988).

Victor and Cullen's (1988) ethical climate matrix cross classifies the three focus of analysis with three types of moral judgement resulting in nine categories of ethical climates such as self-interest, company profit, efficiency, friendship, team interest, social responsibility, personal morality, company rules, and procedures and laws and professional codes. This study concentrates on egoism, caring and principles of ethical climate.

2.3   *Theories supporting the study*

Organisations adopt diversity practices based on a deontological approach as practicing diversity is the right decision. Specific organisations imbibe diversity practices at the workplace due to their positive outcomes. Such practices are utilitarian. Deontological and utilitarian approaches together contribute to organisations adopting and valuing diversity. Though both theories are contradictory to one another, it is evident that both theories are the reason for the widespread adoption of diversity.

Social identity theory (Tajfel, 2010) is grounded on the need to belong to a social group. Members of a group feel a sense of belonging and self-worth to be associated with it, thereby creating an in-group and out-group. The out-groups often feel left out and never gel with the groups resulting in a drop in individual and organisational performance. Such barriers are not seen in inclusive organisations as uniqueness and differences are valued and celebrated here (Tajfel, 2010).

Another theory that supports differences between individuals is the *optimal distinctiveness theory* (Brewer, 1991). While supporting uniqueness, it also propagates the necessity for some commonality, resulting in achieving common objectives of the team, group and the organisation (Brewer, 1991). Though inclusive organisations support uniqueness and differences among employees, they create a common need for belongingness that reiterates optimal distinctiveness theory.

Social exchange theory posits that employees, who benefit from inclusive policies at the workplace, feel positive and indulge in activities that benefit the organisation

(Eisenberger et al., 1990). Various studies have supported this, which has been discussed in the section on inclusive organisations.

2.4   Research gap

Though past research has been extensive in identifying the outcomes of ethical climate at the workplace, there is a dearth of research in identifying the antecedents of ethical climate. A few studies have highlighted the role of leaders and managers in the formation of a positive ethical climate (Shin, 2012). Also, a few studies have identified the role of HR practices in ethical climate. Manager's ethical leadership resulted in a positive ethical climate and better firm performance (Leelhapunt and Suntrayuth, 2020). Very few studies have shown the linkage between inclusiveness at the workplace and perception of ethical climate.

A limitation of previous studies was that several studies focused on the impact of board diversity on several key performance indicators of the organisations. Emphasis on board diversity is requited to enhance the effect of corporate governance in organisations (Baral et al., 2022). Diversity on boards is positively associated with financial performance (Buse et al., 2016). Alabede (2016) has reported that women on the board improve the operating and financial performance (Gurol and Lasagio, 2021) and make better directors (Bart and McQueen, 2013). Board diversity is also considered a measure of the diversity and inclusion initiative. Women on board and their representation in the bard, increased the corporate governance score (Zaichkowsky, 2014). Inclusion in organisations nurtures and values employees' uniqueness and creates a culture of belongingness. Ethical climate resulted in employee satisfaction (Joseph et al., 2022). Ethical climate mediated the relationship between ethical leadership and employees ethical behaviour (Halbusi et al., 2021). The ethical climate also served as a predictor of employee commitment at workplace (Dinc, 2018). These studies have targeted the relationship between diversity at the board level and firm performance. Few studies were only identified to study the role of organisational inclusiveness on affective outcomes including perception in the workplace.

2.5   The link between organisational inclusiveness and perception of ethical climate

Reviews suggest that ethical climate perception moderates positively the relationship between perceived diversity climate and low turnover intention. Transformational leadership moderates the relationship between perceived diversity climate and employee commitment (Ashikali and Groeneveld, 2015). Perceived organisational inclusion efforts and ethical values are strongly correlated (Rabl et al., 2020). This inclusive culture has a cascading effect on the organisation and promises positive outcomes (Shore et al., 2011). This inclusive culture also enhances the perception of procedural transparency and builds a positive image of the organisation (Wu and Chaturvedi, 2009). Procedural transparency can be assumed as a component of the perception of ethical climate, and hence the following hypothesis is framed:

H1   Organisational inclusiveness positively impacts the perception of ethical climate.

   H1a   Organisational inclusiveness positively impacts the perception of benevolent ethical climate.

H1b   Organisational inclusiveness positively impacts the perception of principled ethical climate.

H1c   Organisational inclusiveness positively impacts the perception of egoistic ethical climate.

Organisational inclusiveness is measured by five components namely: diversity climate, fairness, uniqueness, belongingness and issues of discrimination. The study tries to understand the implications of each factor on the perception of ethical climate.

2.6   Inclusiveness and its sub-factors

Diversity climate (a sub-factor of inclusiveness) is comparatively an older dimension researched for a more extended period than inclusiveness. Though authors have used inclusiveness and diversity climate interchangeably (Mor Barak, 2011) the review has shown a significant difference between the two (Roberson, 2006) and how diversity acts as a precursor to inclusiveness. Diversity climate focuses on the number of diverse employees among the majority and their impact on the organisation and is supported by Kanter's (1977) token theory. Perception of diversity climate also resulted in positive job-related outcomes (Yoder, 2002). Cox's (1993) interactional model of cultural diversity (IMCD) explained the connection between diversity climate and organisational performance. The focus has shifted from proportional representation to the impact of psychological climate-related diversity. An employee's perception of the organisation's diversity perspective significantly impacts commitment, turnover, satisfaction and other job-related outcomes. These outcomes impact the perception of ethical climate at the workplace based on the cascading effect of inclusiveness. Hence, the hypothesis is framed as follows:

H2   Diversity climate positively impacts the perception of ethical climate.

2.6.1   Fairness

Organisational fairness and justice are related and interchangeable concepts that impact job-related outcomes such as commitment, satisfaction, employee conflict and organisational citizenship behaviour (Cohen-Charash and Spector, 2001). Distributive justice and procedural justice are two components of fairness. Distributive justice is related to the fairness with which resources are distributed among the members, and procedural justice is concerned with the procedural processes by which decisions are made at the workplace (Cohen-Charash and Spector, 2001). Perception of fairness differs between in-groups and out-groups, minorities and majority (Mor Barak et al., 1998). Ensuring fairness in policies and practices is significant as it impacts employees' perception of an inclusive climate (Shore et al., 2011). An inclusive organisational climate offers policies, procedures, and actions that are fair to all social groups at the workplace (Shore et al., 2011). A fair impression is not determined by the mere existence of policies and laws but by the outcome of vital work-related activities, which affects the perception of the ethical climate.

H3   Fairness positively impacts the perception of ethical climate.

2.6.2 Belongingness

Belongingness is a fundamental human need, the absence of which will lead to adverse outcomes such as stress, depression, and poorer mental and physical health. Social interaction experiences and inclusiveness shape the perception of belongingness in a group, team, or organisation (Baumeister and Leary, 1995). Social identity theory also supports the need for belongingness among the members of a group and members of an in-group perceive a positive climate (Tajfel, 2010). Perceived belongingness is one significant dimension that distinguishes inclusive work environments characterised by high levels of belongingness (Shore et al., 2011). It also leads to positive outcomes, which in turn affect a positive perception of the ethical climate.

H4   Belongingness positively impacts perception of ethical climate.

2.6.3 Uniqueness

An individual's unique characteristics and how an organisation and its members value them define the perception of uniqueness (Triana and Garcia, 2009). Inclusive organisations benefit from the uniqueness of their employees. This uniqueness in diversity results in positive outcomes (Cox, 1993) and turn, affects the positive perception of the ethical climate.

H5   Uniqueness positively impacts the perception of ethical climate.

Figure 2   Model of the study
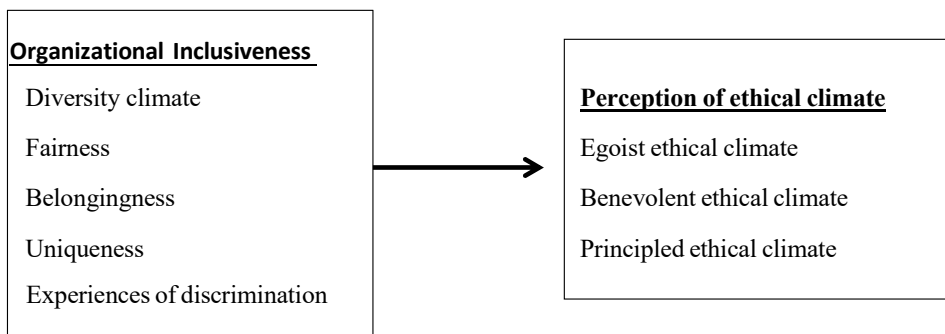
2.6.4 Experiences of discrimination

Discrimination is defined as behavioural bias towards a person based on his/her group identity (Cox, 1993). Discrimination at the workplace results in adverse outcomes and can occur at different levels of the organisation (Mor Barak, 2011). Discrimination is a form of exclusion that measures the absence of inclusiveness in the workplace. Discrimination impacts low commitment (Triana and Garcia, 2009), low job satisfaction, organisational commitment and OCB (Ensher et al., 2001). In turn, this affects employees' perceptions of the ethical climate at their workplace.

H6   Discrimination negatively impacts the perception of ethical climate.

3 Research methodology

3.1 Research method

The study adopted causal method under conclusive research design. The data was collected at one single time period hence it is a cross-sectional study. The data was collected from employees using non-probability sampling. Non-probability sampling was used as the sampling frame was not available and hence we had to resort to non-probability sampling. Justified sampling under non-probability sampling was used as the researcher selected employees working in companies with more than 250 employees for the study and those companies must have been in business for a min. period of five years.

3.2 Sample

Data from 670 employees were collected with the help of a questionnaire. Out of these, 130 questionnaires had missing data and were unsuitable for further analysis. As a result, 540 questionnaires were used in the study with an 86.6% positive rate. A survey was conducted in three cities in South India: Chennai, Bengaluru and Hyderabad.

3.3 Measures

Ethical climate scale was adopted from the ethical climate questionnaire of Victor and Cullen (1988) and Cullen et al. (1993). Perception of ethical climate was measured with 36 items. Twenty-six questions were taken from the original questionnaire of Victor and Cullen (1988) and ten questions from Cullen et al. (1993). The respondents evaluated the 36 items on a five-point Likert scale where 1 = strongly disagree and 5 = strongly agree. A low score indicates an absence of a particular climate, and a high score indicates the presence of the climate. The items are listed in Table 1 containing the factor loadings in the Section 4.

The organisational inclusiveness scale was adopted from the inclusiveness inventory scale (Hedman, 2016). The inclusiveness inventory comprises factors of diversity climate (11 items), fairness (ten items), belongingness (seven items), uniqueness (eight items), and experiences of discrimination (11 items). All the inclusiveness inventory items were measured on a five-point Likert scale where 1 = strongly disagree and 5 = strongly agree. Both the scales had a few items which were reverse scored. All the items except items from discrimination were summed to create a composite inclusiveness inventory score and treated as an observed variable, while discrimination was treated as a separate variable. All questions except demographic variables are based on a five-point Likert scale, and the demographic variables are categorical. Controls used in this study are gender (male, female and others), age, tenure, and job position.

To avoid the teething problems faced by new employees, employees with at least two years of overall work experience were selected. As the researcher's complete data frame was unavailable, data was collected by convenience sampling (a non-probability sampling method). The study used multiple linear regression to assess the inclusiveness model's implications for ethical climate. This study is helpful to determine the individual effects of inclusiveness factors on the perception of ethical climate. Correlations between

the factors were also reported to check multicollinearity. The study did not find multicollinearity between the independent sub-factors of inclusiveness.

Table 1   Demographic details of the respondents

Gender of the respondents in percentage	
Male	53.04
Female	46.96
Age group of the respondents in percentage	
20–35	46.13
35–50	37.59
Above 50 years	16.28
Work experience of the respondents in percentage	
2–3 yrs	36.89
5–10 years	40.75
10–15 years	16.74
Above 15 years	5.6
Management level of the respondents	
Entry level	46.23
Mid-level	38.15
Top level	15.62
Respondents' organisation size in percentage	
Large organisations (above 1,000 members)	48.86
Mid-sized organisations (101–999 members)	37.75
Small organisations	13.39

Note: N = 540.

Of the sample, 53.04% were males and 46.96%% were female. 46.13% of the respondents belonged to the age group 20–35, 37.59% belonged to the age bracket of 35–50 and 16.28% were above 50 years. As per overall work experience (not specific to their current job), 36.89% had been working for 2–5 years, 40.75% of respondents had a work experience of 5–10 years, 16.74% had 10–15 years of work experience and 5.6% had above 15 years of work experience. Participants primarily came from large organisations with 1,000 employees or more.

4   Findings and discussion

4.1   *The measure of inclusion and ethical climate as revealed through means*

Table 2 indicates the no. of items in each sub-factor of the independent variable – inclusiveness and the dependent variable – perception of ethical climate. Of the sub-factors of inclusiveness (diversity climate, fairness, belongingness, uniqueness and discrimination), diversity climate was found to have the highest mean of 3.82 out of a score of 5, followed by fairness at 3.54, belongingness at 3.23 and uniqueness at 3.11. The sub-factor discrimination, the harmful component of inclusiveness, had an overall mean of 2.53 out of 5, indicating that respondents experienced a negligible discrimination in their work lives.

Table 2 Mean score, standard deviation and correlation between the variables of the study

Variables	No. of items	Means	Std. dev.	1	2	3	4	5	6	7	8	9
Diversity climate	11	3.82	0.374	<u>0.781</u>								
Fairness	10	3.54	0.36	0.448*	<u>0.851</u>							
Belongingness	7	3.23	0.54	0.425	0.165	<u>0.699</u>						
Uniqueness	8	3.11	0.83	0.231	0.041	0.345	<u>0.823</u>					
Discrimination	11	2.53	0.24	-0.023	-0.456*	-0.231*	-0.321	<u>0.766</u>				
Inclusiveness (avg. score)		3.56	0.92						<u>0.758</u>			
Egoistic Ethical climate	14	3.15	0.87	-735*	-436**	-513	0.235	0.221*	-0.750*	<u>0.756</u>		
Benevolent ethical climate	12	3.42	0.541	0.842**	0.852**	0.751*	0.513*	-0.566*	0.735**	-213	<u>0.879</u>	
principled ethical climate	10	3.13	0.65	0.708**	0.771*	0.626*	0.486*	-515*	0.603*	-216	0.335*	<u>0.8</u>

Notes: The values underlined indicate the reliability of the variables. The other values under columns 1–9 indicate the correlation value with the respective variable.
*p < 0.05, **p < 0.01.

The analysis also reveals the perception of ethical climate as observed by the means. Of the three ethical climates studied, the respondents perceived a benevolent ethical climate more with a mean score of 3.42 out of a score of 5, followed by an egoistic ethical climate (3.15) followed by the perception of a principled ethical climate (3.13).

Reliability measures the extent to which the variable is consistent in what it is supposed to measure (Hair et al., 1998). Cronbach (1951) alpha is used to measure reliability for the constructs – perception of ethical climate and inclusiveness inventory. Each scale passed the reliability test by having an alpha value of close to 0.7 or above 0.7 (Pedhazur and Schmelkin, 1991).

Table 2 also depicts the correlation of the factors of inclusiveness with the factors of ethical climate. The most significant correlation was found between diversity climate and principled ethical climate at 0.68**, followed by fairness and benevolent ethical climate at 0.652**. Belongingness and fairness sub-factors of inclusiveness did not significantly correlate with an egoistic and benevolent ethical climate. All the other factors of inclusiveness were found to have a significant relationship with factors of ethical climate:

- Correlation between the variables: Table 2 shows the relationship between inclusiveness and ethical climate factors. The most significant correlation was found between diversity climate and principled ethical climate at 0.68**, followed by fairness and benevolent ethical climate at 0.652**. Belongingness and fairness sub-factors of inclusiveness did not significantly correlate with an egoistic and benevolent ethical climate. All the other factors of inclusiveness were found to have a significant relationship with factors of ethical climate.

- Correlation between factors of inclusiveness and perception of ethical climate: The sub-factor diversity climate of inclusiveness scale is found to have a positive, strong significant relationship with both benevolent ethical climate (.708**) and principled ethical climate (.842**) and as expected, it was found to have a significant negative impact on egoistic ethical climate (–735*). The sub-factor fairness has a positive, strong significant relationship with both benevolent ethical climate (0.852**) and principled ethical climate (0.771*). It was also found that fairness had a moderate negative relationship with an egoistic ethical climate (–0.436**). The sub-factor belongingness did not have any relationship with egoistic ethical climate but had a significant strong positive relationship with perception of benevolent ethical climate (0.751*) and a moderate positive relationship with perception of principled ethical climate (0.626). The factor uniqueness exhibited a moderate positive relationship with the perception of both benevolent (0.513*) and principled ethical climate (0.486*). Uniqueness did not significantly correlate with the perception of an egoistic ethical climate.

The factor discrimination was found to have a moderate negative relationship with the perception of a benevolent ethical climate (–0.566*) and principled ethical climate (–0.515*) and a weak relationship with the perception of an egoistic ethical climate. The overall score of inclusiveness (combined score of diversity climate, fairness, uniqueness, and belongingness) showed a positive significant strong relationship with perception of benevolent ethical climate (0.735**), a moderately strong relationship with perception of principled ethical climate (0.603*) and a strong negative relationship with egoistic ethical climate (–0.750*).

According to the findings, all five factors of inclusiveness impact the perception of all three types of ethical climates, including ethical climates that emphasise egoism, benevolence and principle.

4.2 Effects of inclusiveness on perception of ethical climate

The regression findings in Table 3 suggest that inclusiveness has a positive impact on the perception of standard beta = 0.620, $p < 0.05$ and a negative impact on the perception of egoistic climate (unstandardised beta = 0.680, $p < 0.05$) thus supporting Hypothesis H1 which states that inclusiveness influences perception of ethical climate. Discrimination also had a significant but weak impact on the egoistic ethical climate (0.350**) and principled ethical climate (0.357*). This model was significant and explained about 68% to 63% of the variance in perception of ethical climate.

Table 3 Impact of organisational inclusiveness on ethical climate

	Egoistic EC	*Benevolent EC*	*Principled EC*
Constant	32.41**	47.32**	21.35*
Inclusiveness	–0.680*	0.611*	0.620*
Discrimination	0.350**	–0.532	–0.357*
R^2	0.698	0.621	0.554
Adjusted R^2	0.681	0.606	0.639
F	69.325**	43.21*	8.134**

Notes: EC – ethical climate. *$p < 0.05$, **$p < 0.01$.

When the control variables (age, gender, tenure and level of management) were included in the study in regression, it was found that inclusiveness had a strong negative impact on egoistic ethical climate and a moderate positive impact on benevolent and principled ethical climate.

Table 4 The impact of inclusiveness along with control variables on the perception of ethical climate

	Egoistic	*Benevolent*	*Principled*
Constant	25.23**	24.35*	18.45*
Inclusiveness	–0.730*	0.581*	0.595**
Discrimination	0.678*	–0.431*	–0.326*
Age	0.21*	0.32*	–0.28*
Gender	0.45*	0.032*	0.015
Tenure	0.064	0.022	0.741
Level of management	0.528	0.324	0.425
R^2	0.682	0.741	0.528
Adjusted R^2	0.663	0.722	0.496
F	24.24*	32.52*	21.22**

Notes: Regression analysis with control variables. *$p < 0.05$, **$p < 0.01$.

Discrimination had a strong positive impact on the perception of an egoistic ethical climate and a moderate to a weak negative impact on a benevolent ethical climate and principled ethical climate. This model with the control variables was significant and a fit model that explained about 66% of perception of ethical climate, 72% of the variance in benevolent ethical climate, and 50% of the variance in perception of principled ethical climate. Hence, the hypothesis that inclusiveness had a significant impact on the perception of ethical climate is accepted.

5   Discussion and conclusions

The study has shown that inclusiveness and factors of inclusiveness have a significant impact on the perception of ethical climates such as egoistic ethical climate, benevolent ethical climate and principled ethical climate. The study is supported by Rabl et al. (2020), who ascertained a relationship in their study between the perception of organisational inclusion and the perception of ethical value. The study is also supported by Ashikali and Groeneveld (2015), reiterating the relationship between an inclusive climate and a positive attitude and affective commitment toward the organisation. This affective commitment can also lead to the perception of positive ethical values and climate at the organisation. Inclusiveness has positive repercussions (Shore et al., 2011) in the workplace, including the perception of procedural transparency (which is an element of t he perception of ethical climate) (Wu and Chaturvedi, 2009).

Diversity climate is found to impact the ethical climate in this study positively. This finding is supported by studies where diversity climate has several positive factors in the workforce (Wolfson et al., 2011), which results in a positive perception of ethical climate. In another study by Stewart et al. (2011), perception of ethical climate is found to moderate the relationship between ethical climate perception and low turnover intention. The relationship between diversity climate and ethical climate perception is also justified.

This empirical investigation found that fairness had a significant impact on the perception of ethical climate, supported by the work of Shore et al. (2011). Fairness includes distributive justice and procedural justice, which are closely related to ethical climate and perception of ethical climate (Cohen-Charash and Spector, 2001).

As hypothesised, the study found a significant impact of uniqueness and belongingness on the perception of ethical climate. Uniqueness and belongingness are factors that bring in a lot of positive outcomes to the organisation (Shore et al., 2011), which in turn results in a positive perception of the organisational climate and ethical climate.

This study identified a weak negative impact of discrimination on the perception of ethical climate. The results are consistent with the hypothesis. Discrimination experience results in multiple adverse outcomes like dissatisfaction, low commitment, and high employee turnover (Mor Barak, 2011; Triana and Garcia, 2009). Shore et al. (2011) supports that the absence of discrimination will uphold ethical values in an organisation, resulting in a positive ethical climate.

This current study on inclusiveness supports the rationale to view inclusiveness as a precursor for evaluating an organisational ethical climate. The premise of this study is to understand how inclusiveness and its factors can impact an employee's perception of ethical climate and to shake the common myth and practice that inclusiveness needs to be

practiced only to concur and confirm legal compliance. This study examined how inclusiveness (measured by diversity climate, fairness, belongingness, uniqueness and discrimination) influenced employee perceptions of ethical climate (egoistic, benevolent and principled ethical climate).

The results support all the hypotheses that inclusiveness and its factors influence the perception of ethical climate, as discussed above in detail.

The findings have several implications. First, inclusion in the workplace is most effective and has a ripple effect across various organisational levels and magnitude. Second, employees perceive an ethical climate based on inclusiveness which signifies the importance of ensuring inclusion. Third, organisations need to focus on creating an inclusive work environment, which will result in several positive outcomes, including the perception of an ethical climate. The findings indicate that inclusiveness at the workplace is a precursor to creating a positive perception of an ethical climate. Increasing inclusiveness and ensuring reduction in discrimination create a stable and positive work culture that enables the employee to positively perceive the environment and climate. Thus, inclusion in the workplace can reap more benefits for the employees and the organisation.

The current study is also susceptible to certain limitations. The data was collected from the three cities of India (South India, to be specific). Thus, the results are specific, need to be viewed with caution, or cannot be generalised in different countries and cultures. There is a need to replicate and conduct more extensive studies using large data. Diversity and inclusion-related questions include some elements of social desirability, leading to bias. Perception studies though very subjective, have been used in the past and are of great significance in measuring the accurate perception (Choi and Rainey, 2010), and ultimately, the perception counts and results in various outcomes.

Given these challenges, future studies can focus on larger datasets spanning countries and continents in different cultures. Also, studies can focus on perception being a mediating variable between inclusiveness in the workplace and behavioural outcomes. Future studies can also focus on underlying factors of perception of ethical climate.

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