Procedural justice, ethical climate and service outcomes in restaurants

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Abstract

The literature suggests that ethical climate may actually contribute to organizational success by enhancing employee performance. Ethical climate is considered to be highly relevant to the hospitality industry, since it enhances service-providers' contact with customers. This study reinforces previous researches by exploring the relationships between ethical climate, service, and customer satisfaction in restaurants. We have also examined the relationship between ethical climate and the fair treatment of employees by an organization. The study was conducted in 20 restaurants, with 171 employees and 103 customers. Data were obtained from employees, customers, and "mystery shoppers". As expected, ethical climate was found to be related to service performance which, in turn, was found to fully mediate the relationship of ethical climate with customer satisfaction. Ethical climate was also found to correlate positively with procedural justice. Our results indicate the benefits of the ethical message conveyed through consistent managerial practices in service organizations.
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1. Introduction

Climate is defined as employees' shared perceptions of organizational policies, procedures and practices (Schneider and Reichers, 1983). Studies showing effects of organizational climate on service-providers' performance and customer satisfaction suggest that organizational climate is highly relevant to the tourism and hospitality industries due to its reliance on face-to-face contact between service providers and customers (Davidson et al., 2001). Davidson et al. (2001) studied organizational climate in the hospitality industry by means of seven global-climate dimensions, namely: leader facilitation and support; professional and organizational esprit; conflict and ambiguity; regulations, organization, and pressure; job variety, challenge, and autonomy; job standards; and workgroup cooperation, friendliness, and warmth. Organizational global climate was found to be related to employees' turnover intentions and perception of customer satisfaction in the hospitality industries (Manning et al.,

2005), while customer satisfaction was related to the financial performance of hotels (Davidson et al., 2002). Organizational climate thus provides significant guidelines for service-providers' behavior and the consequent customer-related outcomes.

Schneider concluded that the concept of global climate is too amorphous and suggested that climate should be conceptualized as a facet-specific construct with particular referents or a strategic focus indicative of organizational goals (Schneider, 1975; Reichers and Schneider, 1990; Zohar, 1980). According to this view, climate cannot be measured with the seven dimensions relating to global perceptions of an organization, but with those relating to specific facets. Since then, the facet-specific climate concept has been widely implemented in climate research, see, e.g.: service climate (Schneider et al., 1998, 2000, 2002); safety climate (Hofman and Stetzer, 1996; Zohar and Luria, 2004, 2005); innovation climate (Patterson et al., 2005; Anderson and West, 1998); and ethical climate (Victor and Cullen, 1988; Cullen et al., 2003).

Although some studies have measured climate at the individual level, most of the recent facet-specific climate scales measured climate as a group-level variable (see e.g.: Schneider et al., 2002; Zohar and Luria, 2004, 2005). In the

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present study, we have adopted group-level analysis for measuring ethical climate. Organizational climate measures that focus on aggregated group-level data consist of: (a) *level*, i.e., climate's perceived importance to members of an organizational unit, measured by aggregating individual perceptions and using the mean to represent climate level per unit (Reichers and Schneider, 1990); and (b) *strength*, i.e., within-group variability of perceptions, quantified with measures such as intra-class correlation (ICC1, ICC2; James, 1982), within-group correlation (Rwg; James et al., 1984, 1993) and standard deviation (Schneider et al., 2002). Aggregated measurement has recently been applied to ethical climate, and the most recent studies employ group-level theory and aggregation techniques (Schminke et al., 2005).

The facet-specific climate of an organization is comprised of employees' shared perceptions of what is important in that organization, acquired through experience on the job and their perceptions of the behaviors management expects and supports (Schneider and Bowen, 1995). The ethical climate exists when employees perceive that ethical behavior is important to the organization, and is distinguished from other climates in that it embodies "the prevailing perception of typical organizational practices and procedures that have ethical content" (Victor and Cullen, 1988, p. 101). Several authors (Babin et al., 2000; Weeks et al., 2004) have suggested that ethical climate is related to core service performance and outcomes because it affects perceived rightness or wrongness in the service environment. These perceptions are associated with such ethical standards as self-interest, abiding by just rules, and responsibility. For example, service providers may view treatment of customers in terms of priority of personal interests over potential detriment to others (Babin et al., 2000).

Ethical behavior is evidently beneficial, since ethical businesses are more profitable than unethical ones (Weeks et al., 2004). Moreover, the business world has accepted the importance of ethical and lawful behavior, and the majority of Fortune 500 companies now have "ethics officers" (Donaldson, 2003). At the individual level, successful managers were found to be more ethical than unsuccessful managers (Posner and Schmidt, 1993).

The present study examines the influence of ethical climate on service performance itself, as well as on customer satisfaction in restaurants, using a model in which employees' service performance (behavior) mediates the relationships between ethical climate and organizational outcomes (customer satisfaction). We also examine the relationship of ethical climate with procedural justice—i.e., employees' perceptions of the fairness of organizational decision-making processes. The following sections introduce literature concerning ethical climate in the service context, the notion of climate as a group-level variable, and the concept of procedural justice in the workplace.

1.1. Ethical climate in the service context

The issue of ethical conduct is relevant to the role of service employees who participate in an exchange process that offers opportunities for taking advantage both of customers and of co-workers. Schwepker and Hartline (2005) suggest that customer-contact employees may behave unethically in order to cover their mistakes (e.g., concealing mistakes or errors in service delivery; or damage to customers' possessions), or to increase business (over-charging, performing unnecessary services).

The importance of ethical conduct in restaurants was illustrated by Walczak and Reuter (2004) who discuss the potentially dangerous effects of decisions made by kitchen managers and supervisors in regard to food safety. The authors maintained that kitchen managers and supervisors sometimes know that they may be placing customers' health at risk and yet make decisions out of negligence, quest for profit, or willful violations of food safety codes, i.e., unethical motives. Restaurant servers may feel that customers are partly responsible for their bad behavior because they demand reasonably priced and rapidly prepared food. Others maintain that their behavior is in the restaurant's best interests, or that only a few people will be offended (Walczak and Reuter, 2004).

Since such jobs are often performed without close supervision (Bowen and Lawler, 1995), organizational climate will significantly influence service-providers' behavior (Schneider and Bowen, 1985). Several studies have found a relationship between ethical climate and various service-provider attitudes (Babin et al., 2000; Weeks et al., 2004; Schwepker and Hartline, 2005) and performance (Babin et al., 2000; Weeks et al., 2004).

Facet-specific climate is related to role behavior (Zohar, 2000, 2003; Zohar and Luria, 2004, 2005). Zohar explained that facet-specific climate perception relates to "behavior-outcome expectations". For example, in high level safety climates, employees assume that if they behave safely and carefully, they will benefit. In other words, as Schneider and Reichers (1983) suggested, climate indicates which behaviors will "pay off".

There are several reasons why ethical climate should affect service performance. Ethical climate consists of perceptions of trust, responsibility, and high moral standards regarding perceived rightness or wrongness in the service context, which should encourage the efficiency and effectiveness of service. For example, ethical climate may affect servers' treatment of customers in terms of the priority of personal interests to the potential detriment of others ((Babin et al., 2000). Additionally, high levels of ethical climate that emphasize the importance of "doing the right thing", are likely to be reflected in internal organizational processes (e.g., reward systems, hiring practices) that are consistent with correct behavior for internal and external customers alike, and thus determine service performance (Weeks et al., 2004). Lastly, perceptions of ethical climate are related to the perceived fairness