

CAPITAL UNIVERSITY OF SCIENCE AND
TECHNOLOGY, ISLAMABAD



**Stakeholder Attributes and
Salience: Mediating Role of
Ethical Climate and Moderating
Role of Ethical Leadership**

by

Nisar Ali

A thesis submitted in partial fulfillment for the
degree of Master of Science

in the

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I dedicated this thesis to my dear uncle Mr. Muhammad Nazir who has been a continuous source of motivation throughout my life and who always encourages me to work hard



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ISLAMABAD

CERTIFICATE OF APPROVAL

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Abstract

For empirical testing of the impact of stakeholders' attributes of power, legitimacy and urgency on stakeholder salience, we introduced ethical climate as a mechanism reflecting how stakeholder attributes (power, legitimacy and urgency) affects stakeholder salience and how ethical leadership moderates the relationship between stakeholder attributes (power, legitimacy and urgency) and ethical climate. We used responses of 208 employees and managers working in different new emerging ventures of Pakistan. This study was a cross-sectional in its nature. The results of this model suggest that (1) there is a positive and significant relationship between stakeholders' attributes of power, legitimacy & urgency and stakeholder salience, (2) ethical climate mediates the relationship between stakeholder attributes of power & legitimacy while, we found no empirical evidence of the mediation of ethical climate between the stakeholder attribute of urgency and stakeholder salience, and (3) the ethical leadership moderates the relationship between stakeholders' attributes of power & legitimacy and ethical climate such that if ethical leadership is high than positive relationship between stakeholder attributes power & legitimacy and ethical climate would be stronger. Theoretical implications of these findings are also discussed.

Keywords: Ethical Climate, Ethical Leadership, Stakeholder Attributes, Stakeholder Salience.

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Chapter 1

Introduction

1.1 Background

The impact of stakeholders for the accomplishment of organizational objectives can't be ignored as the influence of diverse stakeholders is critical for the organization's continuous achievability and survival (Harting, Harmeling & Venkataraman, 2006; Hart & Sharma, 2004). It is acknowledged that ineffectual stakeholder management can disturb the accomplishment of organizational objectives (Waligo, Clarke & Hawkins, 2014). The concept of stakeholder got consideration of the researchers after the concept of "who or what really count" by Edward E. Freeman in his book "Strategic Management: A Stakeholder Approach," published in 1984. After Freeman's work scholars in this area of study have broadened the possibility of stakeholders to grasp the importance of stakeholder management for the achievement of organizational goals.

"How to identify and prioritize the stakeholders of an organization" is one of the key issues in stakeholder management research (Freeman, 1984; Carroll & Buchholtz, 1996; Donaldson & Preston, 1995). To address this issue, Mitchell Agle and Wood, (1997) set forward stakeholder salience and identification theory which proposes that supervisors see stakeholder salience (the degree to which supervisor managers give priority to the claims of competing stakeholders) in light of three key attributes of stakeholders i.e. power, legitimacy and urgency. The theory

got much consideration of the researchers as it gave the particular structure to comprehend the stakeholder, salience and identification. The empirical test of this theory demonstrates that more the number of attributes a stakeholder has more it would be salient (Agle, Mitchell, & Sonnenfeld, 1999; Parent & Deephouse, 2007).

Initially the stakeholder theory was confronting some reasonable confusion which was addressed by Donaldson and Preston (1995) by giving three approaches towards stakeholder management. These approaches towards stakeholder management are; normative, instrumental and descriptive. It depends on the perception of leadership of the organization that what approach they adopt for their stakeholder management. As leadership plays an important role for the achievement of organizational objectives (Vroom & Jago, 2007) and seems very crucial for the stakeholder management of an organization.

In near past, corporate scandals, for example, those which caused the demolish of Enron and WorldCom, and the more recent, Bear Stearns, have harmed an extensive variety of corporate stakeholders i.e. shareholders have lost their investment, clients have lost services, workers have lost their jobs in these companies, and society at large has lost altruistic investment and wellsprings of taxes. Because of these corporate scandals and expanding consideration regarding the significance of corporate social responsibility, the prerequisite for solid corporate ethics is currently more critical as compare to recent past (Waddock, 2004). As per this worldwide trend, an immeasurable measure of exploration has investigated the connections between organizational ethics and its outcomes (Philipp & Lopez, 2013).

While the research in the domain of ethical climate has offered significant knowledge into the literature that how ethical climate assumes its role in organizations and how it influences its workers' conduct and attitudes. Drawing on the literature of organizational climate the present review concentrates on ethical leadership as a basic predecessor of ethical climate and stakeholder attributes to cultivate salience of stakeholders (Ozcelik et al., 2008; Walumbwa, Hartnell, & Oke, 2010). The recent research in the domain of ethical climate has identified ethical leadership as a key predictor of such climate.

While various research work on ethical climates have examined the associations between employees' perspective of ethical climate with their own particular practices and mentalities (Wu, & Tsai, 2012; Schwepker, 2001; Tsai & Huang, 2008; Deshpande, 1996). Many of the researchers in this domain agreed that leaders play vital part in establishing the ethical climate of an organization. (Mulki, Jaramillo & Locander, 2009; Grojean, Resick, Dickson, & Smith, 2004; Deshpande, George, & Joseph, 2000). While in their research work, Dickson, Smith, Grojean, & Ehrhart, (2001) have examined that leaders are important in building up the ethical climate. Leaders lay down the basics of ethics for the organizations by introducing the practices, approaches, and techniques.

In the literature of organizational climate, empirical studies identified that leaders are key factors to develop different organizational rules and regulations for their employees (Kozlowski & Doherty, 1989). In perspective of research on ethical leadership, it is found critical to comprehend the role of leadership in association to unethical conduct in the organizational settings (Davis & Rothstein, 2006; Brown, & Treviño, 2006; Walumbwa, Avolio, Gardner, Peterson & Wernsing, 2008; Grojean et al., 2004).

Ethical leaders have a feeling of social responsibility to which they follow. The segments of social responsibility (moral and lawful behaviour, inward commitment, sympathy toward others, worry about results, and self-judgment) are decidedly connected with ethical leadership. Specifically, they noticed that leaders who work with an inner feeling of obligation, the longing to make the best choice for greater good, are perceived as ethical leaders whom other workers at workplace wish to copy (De Hoogh & Den Hartog, 2008). Ethical leaders seek after business targets while being worried about their workers and wellbeing of the society (Treviño, Brown, & Hartman, 2003). Similarly, vital pertinent to psychological contracts, ethical leaders "try to do they say others should do and are proactive models for ethical behaviour" (Brown & Treviño, 2006).

In this research study, we intended to investigate the intervening role of ethical climate between stakeholders' attributes and stakeholders' salience and also the

potential moderating role of ethical leadership between stakeholders attributes and ethical climate.

1.2 Research Gap

Some empirical research studies have identified the positive association between stakeholders' attributes of power, legitimacy & urgency and stakeholder salience (Agle et al., 1999; Parent & Deephouse, 2007; Mitchel et al., 1997). However, the mechanism in this association is rarely tested in any of the previous study which requires further exploration. While in different research works organizational climates have been found to expect a fundamental mediating mechanism in the association between organizational variables and its relevant outcomes (Zohar & Luria, 2005; Hofmann & Stetzer, 1998; Schminke et al., 2005). Ethical climate have been found to assume an essential intervening part between stakeholder attributes and stakeholder salience.

Literature suggests that organizations frequently introduce guidelines and structures since outside pressures to drive them to conform (e.g., keeping banking regulations), as a methods for looking for authenticity (e.g., Ethical Climate Meta-Analysis moral codes), or with an end goal to mirror different organizations (DiMaggio and Powell, 1983). Some exploration has exhibited the impacts of external organization setting on ethical climate (e.g., Bourne and Snead, 1999) and ethical decision making (Cullen et al., 2004; Martin and Cullen, 2016). In accordance with this justification, it is believed that the stakeholders' attributes i.e. power, legitimacy and urgency (as the stakeholders having these attributes are very compelling for organizational perceptions) are instrumental for building up the ethical climate. Ethical climate not just impacts which issues organizational members consider to be ethically germane, however it likewise decides the ethical criteria individuals use to comprehend, weigh, and resolve such issues and claims (Cullen et al., 1989). Through this process, organizational values (e.g. ethical climate) are translated to actions, which are accordingly reflected in different work results (Martin and Cullen, 2016).

Literature also suggests that the perception of ethical climate mediates between organizational context and employees' conduct (Schneider, 1983). Likewise in the association IVs and DV, the achievement of organizational objectives is directly linked with stakeholders. Stakeholders fulfill the needs of the organizations well in time and in the response their claims are preferred well in time. All this is mostly likely to happen in an ethical climate. It is also sensible to expect that workers who see ethical climate will probably feel affectively and normatively dedicated to their organization when their supervisors ceaselessly show reasonable practices. At the point when the ethical climate is set up in the organizations it is expected that all the stakeholders of the organizations will get reasonable treatment from the management in light of their attributes.

Ethical leaders depict elevated level of good norms and decency, which help the organization to treat every one of its stakeholders genuinely in the light of attributes of salience they have. Having ethical leaders improves pride and loyalty towards the organization, and reinforces sentiments of good connection (Philipp & Lopez, 2013; Barkhordari-Sharifabad, Ashktorab & Atashzadeh-Shoorideh, 2017). Ethical leaders have the main responsibility for developing and implementing the ethical principles in the organizations, either by being a good role model of ethical conduct, or through fortification of moral values (Weaver, Treviño, & Agle, 2005; Treviño, Hartman, & Brown, 2000; Brown, Treviño & Harrison, 2005; Mayer, Aquino, Greenbaum, & Kuenzi, 2012; Walumbwa et al., 2011), likewise it is perceived that ethical leadership may act as boundary condition to buffer the relationship of stakeholders' attributes and ethical climate. The business standards and ethical values of leaders in the organizational settings are seems complex and that they change with culture, time and geography (Sen, 1997), and it seems that the absence or presence of stakeholder attributes are shaped by the values of leader. Leaders are extraordinarily different in their qualities (Hambrick and Mason, 1984), noteworthy variety in stakeholders salience as an element of such fluctuation is not out of the question (Agle et al., 1999). Consequently, leaders qualities are thought to go about as a moderator affecting ethical climate (Mitchell et al., 1997). Based on the findings of these previous research studies we assume

that ethical leadership moderates the association of stakeholder attributes and ethical climate.

1.3 Problem Statement

In the stakeholder management literature, the direct relationship between stakeholder attributes and stakeholder salience has already been established (Agle et al., 2007; Parent & Deephouse, 2007) but the mechanism through which stakeholder attributes affect stakeholder salience need exploration through empirical testing. In this study we will examine ethical climate as mediating link in this relationship and ethical leadership as moderating variable between stakeholder attributes and ethical climate. It is important to check this mediating mechanism as the organizations which become able to develop the ethical climate are more prone to give more importance to stakeholders who contribute more for the overall goal achievement of the organization. Likewise the ethical leadership is more likely to have impact on ethical climate with the interaction of stakeholder attributes.

1.4 Research Objectives

The foremost objective of the this research study is to develop and test proposed theoretical model to examine the mediating mechanism of ethical climate between stakeholder attributes' of power, legitimacy & urgency and stakeholder salience and to check the influence of ethical leadership between stakeholders' attributes and ethical climate.

The proposed association between the variables i.e., Independent, mediating, moderating and dependent are shown in the theoretical framework of the study.

- 1) To examine the association of stakeholders' attributes of power, legitimacy & urgency and stakeholder salience.

- 2) To identify the mediating mechanism of ethical climate between the relationship of stakeholders' attributes of power, legitimacy & urgency and stakeholders salience.
- 3) To examine the moderating role of ethical leadership between the relationship of stakeholders' attributes of power, legitimacy & urgency and ethical climate.

1.5 Research Questions

In view of the above expressed problem statement, the present study is intended to seek the answers for the following inquiries:

Q-1: Does stakeholders' attributes of power, legitimacy & urgency are associated with stakeholder salience?

Q-2: Does ethical climate play a mediating role between the association of stakeholders' attributes of power, legitimacy & urgency and salience?

Q-3: Does ethical leadership play a moderating role between stakeholders' attributes of power, legitimacy & urgency and ethical climate?

1.6 Significance

The current study is theoretically significant as the mediating role of ethical climate between stakeholders' attributes of power, legitimacy & urgency and stakeholder salience with moderating role of ethical leadership has rarely been tested earlier. The finding of this study includes in the literature by introducing ethical climate as the mediating variable in the relationship between the stakeholder attributes' of power, legitimacy & urgency and stakeholder salience. It also explores the buffering role of ethical leadership between the relationship of stakeholders' attributes of power, legitimacy & urgency and ethical climate. The research explains and emphasis on the emerging ventures of Pakistan in the stakeholder management perspective.

The research of modern organizations' stakeholders investigates the collaboration between organizations (normally conceptualized as its top management) and different groups of stakeholders, for example, clients, shareholders, employees, societies, and so forth (Freeman, 1984). Much of stakeholders' research has tended to the key strategic benefits that can emerge from successful stakeholder management relationships-this is alluded to as the instrumental point of view of stakeholder management (Berman, Wicks, Kotha, & Jones, 1999).

The current study investigates an elucidating line of stakeholders' research as it tries to recognize how one specific component like the organizational ethical climate influences stakeholders associations. Jones, Felps and Bigley, (2007) suggest that a company's ethical culture influences how firms oversee exchange offs among clashing stakeholders benefits. The literature also suggests that ethical climate affects organizational outcome (Abou Hashish, 2017). The current study provides insight into; 1) explore the association of stakeholder attributes of power, legitimacy & urgency and stakeholder salience, 2) investigating how an organizational ethical climate can affect managers behavior toward certain stakeholders bunches and giving an empirical trial of the effect of ethical climate on stakeholders' attributes salience associations and 3) explain the influence of ethical leadership for the formation of ethical climate which provides a clear environment that how to manage the stakeholder of the organization. Hence, this study looks to investigate the hypothetical and empirical scaffold between two fields of research: ethical climate and stakeholders' management.

1.7 Supporting Theory

1.7.1 Social Cognition Theory

Social cognition theory looks to clarify how people grasp themselves and other individuals, and how human intellectual procedures like individual's memory, consideration and social derivation influence results of interest (Fiske & Taylor, 1984). In particular, in its clarification of attention processes, social cognition theory is

observed to be useful for stakeholders researchers who wish to represent changeability in stakeholders salience, since it gives theory to connect individual elements to organizational outcomes, for example, to interface the perceptions of people to supervisors' perceptions about prioritization of different stakeholders groups in the way proposed for cross-level research models (Rousseau, 1985).

As per social cognition theory, the social salience depend on: attentional undertakings; for example, stimulus "domination" of the visual field, earlier learning or desires; which incite individual notice of "unusual" or "differential" parts of conduct, and the prompt setting; through which individuals encounter 'figural/novel' components, which add to the general salience idea, "selectivity" (Fiske & Taylor, 1984). Moreover, researchers in the area of social cognition theory hold that the impact of social salience on consideration is identified with the impacts of selectivity as further affected by the "intensity" of observation, which means the degree of the "mental exertion dedicated to the concentration of consideration chose" (Fiske & Taylor, 1984). Along these lines, when we connected the general social cognition model to the stakeholder case, we anticipated that stakeholders' salience would be most astounding when both selectivity and intensity were high-which gives a hypothetical reason to the desires as the stakeholders' attributes of power, legitimacy, and urgency cumulate in the brain of a manager, selectivity is upgraded, intensity is expanded, and higher salience of the stakeholder group is the imaginable outcome (Mitchell et al., 1997).

1.8 Purpose of the Study

The purpose for this study is to evaluate the association between stakeholders attributes' of power, legitimate & urgency, ethical climate of an organization and its activities toward stakeholders' salience and the impact of ethical leadership in this relationship. Some empirical research studies have found the direct impact of stakeholder attributes on stakeholder salience (Mitchell et al., 1997; Agle et al., 1999; Agle et al., 2007; Parent & Deephouse, 2007), while Flannery & May (2000) and Jaramillo, Mulki, and Solomon (2006) found the effect from the ethical

climate of an organization on a particular stakeholders' group, for example, with employees or the environment. Yet, there is a shortage of research of evaluating the mechanism through which stakeholders' attributes of power, legitimacy & urgency are connected with stakeholder salience.

This study attempts to explain the mediating mechanism in this relationship by introducing ethical climate. This is a vital thought in stakeholder in light of the fact that stakeholders will regularly have contending interests, a vital component to overseeing stakeholders' association is the way in which an organization adjusts the inborn strains between different stakeholders groups. While, the study also investigates the buffering role of ethical leadership between stakeholders attributes and ethical climate. Along these lines this study develops three surges of scholastic research: the literature on management of stakeholders, ethical climate and ethical leadership. Additionally, this investigation is pertinent to a critical level headed discussion continuous among professionals with respect to the changing objectives of corporate morals and compliance programs.

Chapter 2

Literature Review

2.1 Stakeholder Management

The accomplishment of business' strategy is mainly relies upon dynamic cooperation of stakeholders. The idea of stakeholder has widened the vision of management regarding its roles and duties beyond augmentation of profit (Mitchell et al., 1997). In such manner the scholars of stakeholder management trust that distinguishing stakeholders, their relative significance, and the approaches to oversee them are urgent to this process (Frooman, 1999; Friedman, & Miles, 2006; Mitchell et al., 1997; Jawahar, & Mclaughlin, 2001). Freeman (1984) introduced the theory of stakeholder management for the first time in his book "*Strategic Management: A Stakeholder Approach*", which got significant consideration of the researchers. He defined stakeholder as "any group or individual who can affect or is affected by the achievement of the organization's objectives". His principal of "who or what really count" became much popular and richly described by the researchers as who are the stakeholders of an organization? And to whom do managers pay attention? Where the first question can be address by the normative theory of stakeholder identification, which explains why management consider certain types of entities as their stakeholders. While the second question requires the expressive theory of stakeholder salience which clarifies the situations in which management of the organization consider particular groups of stakeholders (Mitchell et al., 1997). It

helps the organization to actively manage relationship with the specific stakeholders groups (Freeman, 1984).

Identification and prioritization of stakeholders is one of the imperative questions in stakeholders' management (Donaldson & Preston, 1995; Freeman, 1984; Clarkson, 1995). Mitchell et al., (1997) laid down the framework of stakeholder salience and identification to conquer this question. They presented a theory by conveying three essential social sciences ideas to describe stakeholder; power, legitimacy and urgency, which they considered as stakeholder attributes. They explained stakeholder salience as "how much managers offer need to contending stakeholders' claims". While according to Agle et al., (1999) that Stakeholder salience is straightforwardly identified with the combined number of attributes of salience as identified by managers which possess by a stakeholder group. Moreover, Khurram and Petit (2015) included proximity as fourth attribute of stakeholder salience to the framework of (Mitchell et al., 1997).

Power is conceptualized in salience framework in the light of the previous research work of different scholars (Pfeffer, 1981; Salancik, & Pfeffer, 1974) and defined as "an association between social actors where one performer 'A' can force another social performer 'B' to do something that 'B' otherwise will never do it" (Mitchell et al., 1997). The idea of power connected in the framework of salience mainly depends on the social organization, resource reliance and view of transaction cost points (Mitchell et al., 1997). Organizational based power which was beforehand grouped by Etzioni's (1964) is utilized as a part of this framework. As the stakeholder may have the capacity to utilize: coercive power (force, threat, and litigation), Utilitarian power (picking up or withholding of resources and the normative power (typical impact to force its will on the organization). While the fourth type of power was recently introduced by Khurram & Petit (2015) in this framework. They proposed that characteristics of power ought to be seen as social network theory (Neville, Bell, & Whitwell, 2011).

Legitimacy is the second attribute of stakeholder salience which is defined by Suchman (1995) as "a generalized perception or presumptions that the activities of an individual are desirable, legitimate or proper inside some socially developed

structure of values, standards, beliefs, and definitions”. He categorized legitimacy into three types (i.e. moral legitimacy, pragmatic legitimacy and cognitive legitimacy). Moral legitimacy is a good normative evaluation of an organization (Aldrich & Fiol, 1994). The center of moral legitimacy lies in socio-tropic as it depends on judgments in the matter of whether a given organizational action is the proper thing to do or not (Suchman, 1995). Organizational stakeholders can extricate it by adequately showing their connection to socially acknowledged and alluring values and standards. Aldrich & Fiol (1994) categorized moral legitimacy into four relevant types, which are personal legitimacy, structural legitimacy, procedural legitimacy and consequential legitimacy. Personal legitimacy alludes as the individuals see the authorities as reliable, concerned and ready to lead, the legitimacy of the authority is not denied. Structural legitimacy includes a circumstance when stakeholder is seen to be deserving of support as it has such basic attributes that make it fall into an ethically supported category. Procedural legitimacy alludes to selection of methods and procedures that are taken valid in a social setting. While, the consequential legitimacy refers to the assessment results of organizational outcomes.

Pragmatic legitimacy is Self-interested or instrumental assessment of an organization. According to Suchman (1995) “pragmatic legitimacy concentrates solely on exchange and impact effects”. While Cognitive legitimacy is the dispersion of convictions, learning in a manner that they are taken for granted organizational outputs (Aldrich & Fiol, 1994). In accordance with Jepperson & Meyer, (1991), Suchman (1995) proposes that cognitive legitimacy is presented to a substance when it is viewed as essential or inescapable in light of some underestimated socio-cultural record. Institutionalists give a clarification to such certainty by attesting that other than making issue sensible institution change issue into subjective “givens” which submerge the likelihood of difference (Zucker, 1983; Suchman, 1995).

Urgency is the force that a stakeholder puts on his claim or it is just how much stakeholder’s claims get brisk consideration of the organizational management.

Salience framework categorizes urgency into classes: time sensitivity and criticality. Time sensitivity alludes to what extend delay in attending the claims are unacceptable to the stakeholder (Mitchell et al., 1997). The criticality alludes to the importance that a stakeholder relegates to its claim (Mitchell et al., 1997).

To permit managerial convictions by giving limit to the idea of “Stakeholders,” scholars have separated stakeholders groups into actual & potential (Clarkson et al., 1994) internal & external stakeholders (Jones, 1995), compatible & incompatible (Friedman & Miles, 2002), primary & secondary (Freeman, 1984), fiduciary & non-fiduciary (Goodpaster, 1991) based on attributes of stakeholder attributes of power, legitimacy and urgency (Mitchell et al., 1997).

Stakeholder salience theory recommends that, managers’ perceive salience of stakeholder (how much managers offer priority to contending stakeholder claims) on the premise of three key stakeholders attribute (i.e. power, legitimacy and urgency) (Mitchell et al., 1997). While regarding managerial perception, the salience of stakeholder mainly depends upon acquisition of more stakeholder attributes. The positive link between stakeholders’ attributes and stakeholder salience is studied in various research studies (Agle et al., 1999; Mitchell et al., 1997; Parent, & Deephouse, 2007).

2.2 Ethical Climate

Numerous research works in the field of business or organizational ethics has concentrated on ethical climate as an essential antecedent of organizational outcomes (Victor and Cullen, 1988). Climate of an organization can be defined as “the shared perceptions of formal and informal practices, policies and procedures” (Reichers, & Schneider, 1990). The perceptions of climate fluctuate inside an organization and its diverse work units or sub-units (Victor and Cullen, 1988).

Currently, researches have focused for promotion of ethical climate through ethical leadership and also through conducting different ethical training or seminars as a solution for the corruption in different organizations (Brown et al., 2005). Ethical climate in the organizations reflects the perceptions of individuals about

organizational ethical policies, practices and procedures, it additionally gives direction to individuals of the organization in their decision making and practices (Martin & Cullen, 2006). It is kind of organizational work climates that can be understand as a combination of prescriptive climate reflecting the organizational practices, policies and strategies with great outcomes. Such climates happen when organizational members trust that particular sorts of ethical conduct are normal or standards for decision making inside the organization (Cullen, Parboteeah & Victor, 2003). Surely, the predecessors and outcomes of these work climates have been examined since 1950s (Wimbush & Shepard, 1994).

Ethical climate is the view of what constitutes right conduct, and in this manner ethical climate turns into a mental component which handles moral issues. Ethical climate impacts both the decision making and consequent conduct in light of ethical predicaments. It also impacts issues in the organizations which individuals consider to be morally noteworthy and in addition sets the moral measures to comprehend and resolve such issues (Cullen et al., 1989). So that ethical climate helps to translate organizational values into actions, which are then subsequently reflected in many organizational outcomes.

In the literature ethical climate has been discussed as a uni-dimensional construct as well as multi-dimensional construct. The most popular categorization of ethical climate is Martin and Cullen's, (2006) and Victor and Cullen (1988) and typology. Victor and Cullen (1988) categorized ethical climate into five dimensions. 1) Instrumental climate; it puts emphasis on the selfish concerns or maximization of self-interest at individual level. This dimension of ethical climate is considered as negative climate while rests of the four dimensions are considered as positive climates. 2) Independence climate; concentrates on devotion to one's own particular ethical feelings a principled worry at the individual level. 3) Caring climate; focuses on the prosperity of other individuals, a liberal worry at the individual or group level. 4) Law and code climate; focuses on the satisfaction of the law and expert measures, a principled worry at the cosmopolitan level. 5) Rules climate; focuses on entirely taking after the authoritative standards and controls a principled worry at the individual level.

When caring, independence, rules and law & code climates are present in an organization, it will be seems more ethical as they are as per the guidelines of the organization. Researchers have indicated that to some degree each organization may have each of these diverse sorts of ethical climates (Deshpande, 1996). These five climates vary in their level of examination and in the ethical standards which they are following. An organization which has more positive sort of climates than negative climates will urge their workers to focus more on moral values in decision making procedures and practices (Shin, 2012).

In this research study, we consider ethical climate as an organizational level construct which speak to worker's shared view of the moral climate of the organization. Since the organizational methods, strategies, and code of morals shape, the conduct of members of an organization, they tend to hold comparable view of ethical climate. In addition, an organizational ethical climate decides its moral qualities and conduct and impacts the morals of its members (Verbeke, Ouwerkerk, & Peelen, 1996; Wimbush, & Shepard, 1994). In this way on the premise of ethics, organizational members generally influenced by the climate of organizations instead of the climate of workgroups (Shin, 2012).

Although the rise of positive attitudes and behaviors within the organizations are encouraged through the positive forms of ethical climate (Leung, 2008; Martin, & Wimbush, et al., 1997; Martin, & Cullen, 2006), however, this ethical climate is depending upon the organizational control. Like rules or a law & code climate which is a positive kind of ethical climate that focuses strict hierarchical control won't be as viable as different sorts of positive climate that rely on upon restraint (e.g. a caring or an autonomy climate).

Shin (2010) study on ethical climate is the base of current study as he used rules and laws & code of the (Victor & Cullen's, 1988) dimensions to measure ethical climate on the basis of two reasons. First, the rules and law & code climate dimensions gives the real essence of ethical climate among all the five ethical climate dimensions. Researchers who acknowledge a uni-dimensional point of view of ethical climate conceptualize ethical climate as organizational members' impression of the nearness of a code of ethics, corporate approaches on ethics, and

top administration activities with respect to ethics (Schwepker, 2001; Jaramillo, Mulki, and Solomon, 2006). The above reasoning regarding the rules and law & code dimensions translate into ethical climate. Second, numerous research work have identified positive association between rules and law & code dimensions and its relevant organizational outputs (Tsai & Huang, 2008; Cullen, Parboteeah, & Victor, 2003; Elc, I & Alpkar, 2009; Shapira-Lishchinsky, & Rosenblatt, 2009). Rules and laws & code dimensions have been classified as higher levels of ethical climate as compare to rest of its dimensions and it is also recommended that extra role behaviors are generally found in ethical climate having high level ethics than in ethical climate having low level of ethics (Leung, 2008).

2.3 Ethical Leadership

Recent ethical scandals in various fields of life for example government, business, sports, nonprofit organization and religious organizations raised questions like what is wrong with the leader. To address such sort of issues related to business ethics, Brown et al., (2005) proposed the construct of ethical leadership and define as the exhibit of normatively proper behavior through individual activities and relational connections, and the advancement of such behavior to devotees through two-way correspondence, support, and decision making.

In the early phase of the development of ethical leadership, it is thought to be a part of other leadership constructs. Because all leadership constructs possess ethical component such as self-sacrificial leadership (De Cremer, & van, Knippenberg, 2004), the transformational leadership (Bass, 1999), authentic leadership (Avolio, Wernsing, & Gardner, 2017), spiritual leadership models (Fry, 2003) and servant leadership (Hanse et al., 2016). DiPaola (2016) is one of the first researchers who offered transformational leadership by linking ethics with leadership behavior that emphasis on the moral advancement between leader and their followers. He was with the view that transformational leaders follow moral values themselves and motivate their followers towards such values by using appropriate form of influence. Based on ethical value orientation, Bass and Steidlmeier (1999) secluded authentic

transformational leaders (who claim ethical values and alter in an optimistic way) apart from pseudo- transformational leaders (who do not own moral component and transform in a pessimistic way) i.e., giving importance to their own interest over others interest.

In their research study Brown et al., (2005) recognized two dimensions of ethical leadership i.e. moral person and moral manager. The characteristics of the ethical leader as a person is translate through moral person aspect. Solid moral person are seen receptive, reliable, legitimate and are sympathy toward other individuals around them. Most importantly, they are considered as reasonable and principled decision makers who think about group, and dependably act morally in their work life and their individual lives. While the moral manager aspect of ethical leadership alludes to how the leaders utilizes their position of authority to maintain moral conduct in the organization. Solid moral managers view themselves as great cases at the workplace, make morals notable by showing moral conduct to their devotees, and impart moral standards and utilize rewards and punishments to ensure those standards are taken after.

As indicated by Shin, (2012), leaders set the moral tone for an organization by performing moral practices, procedures and strategies which help to support the statement of moral behavior and furthermore help to demoralize the likelihood of exploitative behavior. Furthermore, ethical leaders while decision making in the organizations consider the moral values in their psyches, they accept “what is correct thing to do” as far as ethical standards so along these lines ethical leaders make it clear to their followers that maintaining ethical norms are vital for the achievement of organizational goals.

Additionally according to Walumbwa, Hartnell, & Misati (2017) ethical leaders indicate to their followers that doing right thing is encouraged and esteemed the way people prone to see a moral situation in the organization. Ethical leaders go about as good examples ethical conduct show the ways to identify ethical issues and resolved them inside the ethical standards. Moreover, they also found helpful to educate their followers to accomplish the organizational objectives without any pressure of unethical behavior.

Review of literature shows that ethical leadership is associated to many important follower outcomes, like job satisfaction, voice behavior, willingness to put in extra effort on the job, psychological safety, employees' organizational commitment, intrinsic motivation trust, commitment, organizational optimism and perceptions of organizational culture and ethical climate (Brown et al., 2005; De Hoogh & Den Hartog, 2008; Toor & Ofori, 2009; Neubert, et al., 2009; Piccolo et al., 2010). It also demonstrates in the previous literature that ethical leadership has useful implications for both employees and organizations.

Ethical leaders are stripped by qualities, for example, mindfulness, genuineness, philanthropy, openness, dependability, collective motivation, and equity and by their conduct as principled people who always prefer to make balanced decisions (Brown and Treviño, 2006). In this manner, ethical leaders encapsulate numerous constructive individual attributes furthermore look to impact their followers by effectively overseeing moral behavior (Mayer, Kuenzi & Greenbaum, 2010). Researchers have concentrated the effect of ethical leadership on critical result as a procedure of social learning and social exchange (Brown, & Treviño, 2006; Brown et al., 2005; Ma, Cheng, Ribbens, & Zhou, 2013). While ethical leadership can be separated from other related sorts of leadership, for example, transformational leadership and authentic leadership (Brown and Treviño, 2006).

2.4 Stakeholder Attributes and Stakeholder Salience

Freeman (1984) defined stakeholders of the organization as any individual or group who can influence or is influenced by the accomplishment of the organizational targets. This definition is for the most part referred to in this domain of research, yet still there is much needed to understand with reference to who or what actually a stakeholder is. Mitchell et al., (1997) prescribed that scholars may recognize stakeholders by applying sorting criteria to the field of possible results. They contended that an accentuation on the legitimacy of a claim on an organization, based upon, such as, legal title, moral interest, contract, exchange, legal right or at-risk status in the damages and advantages produced by authoritative practices is required

with a specific end goal to limit the meaning of stakeholders. They likewise contended that a stakeholder's power to impact the organizational conduct, paying little respect to whether it has a legitimate claim, ought to be considered to ensure that the definition remained expanded. Power and legitimacy are considered as principle attributes that are required to effect stakeholders salience and, when consolidated, to constitute an authority (Weber, 1947). The stakeholder attribute urgency is how much a stakeholder claim calls for provoke attention of the managers. The incorporation of urgency contains a dynamic or reactant segment to the strategy by which stakeholders accomplish salience considerations of managers (Mitchell et al., 1997).

This study is based on the stakeholder of theory salience presented by Mitchell et al., (1997), which refers the three salience attributes i.e. power, legitimacy and urgency. On the basis of these attributes the stakeholder framework proposed that the more powerful the stakeholder group is, the more salient their claims could be in the view of the managers of the organization. These attributes needs to elaborate when it comes to determine the concerns of stakeholder. Stakeholders' power occurs where one social performer 'A', can get another social performer, 'B', to accomplish something that 'B' would not have generally done (Weber,, 1947; Pfeffer,. 1981). The foundations of power are believed to be predominantly in the kind of resource used for the implementation power. Etzioni (1964) classified organizational based power into three types, 1) coercive power; the basis of which are physical resources of force, violence or restraint, 2) utilitarian power; based on financial or material resources, and 3) normative power; based on symbolic resources. The stakeholder salience model additionally clarifies that the more legitimate the stakeholders and their claims are, the more probable they are to get positive reactions from an organization (Mitchell et al., 1997).

According to stakeholder Mitchell et al., (2011) stakeholder salience is more likely based on normative instead of utilitarian perceptions of power. It is on the grounds that utilitarian power depends on stakeholders' capacity to control chiefly the tangible resources on which an organization depends, while normative power is related

with the symbolic resources. As symbolic resources usually linked with an individual's reputation and value which is perceived by others (Fuller & Tian, 2006). In an organizational settings reputation acts as an important symbolic resource replicating the normative power in stakeholder associations becomes predominantly emphasized because every organization tend to rely mostly on specific number of stakeholders in an area of their existence and their activities are frequently under continuous inquiry by the stakeholders associated with that particular organization (Quayle 2002). Therefore, organizations may prone to criticism from stakeholders, and such criticism may affect negatively the achievement of organizational objectives and which in return cause the loss of reputation and social status. (Goss, 2005). Lähdesmäki and Siltaoja (2010) suggest that in the organizational settings, reputation can be taken as a powerful control mechanism reflecting organizations' compliance with norms. However, at the same time it means that a good reputation increases the future expectation of the behavior of an organization towards its stakeholders (Mishina et al., 2010). Parent and Deephouse (2007) reported that the more types of power a stakeholder have, the more salient it will be perceived by the managers. They also compared the relative influence of power, legitimacy, and urgency and found power to be the critical attribute in determining managers' perceptions of stakeholder salience.

Eesley, Decelles & Lenox (2016) drew upon resource dependence theory to propose an alternative definition of power. Resource dependence theory argues that organization always seek to gain access to the necessary resources for their day to day operations and survival (Bendickson, Gur, & Taylor, 2016). Moreover, stakeholders have power to the extent they have the resources to sustain costly actions against the organization (Neville, Bell, & Whitwell, 2011).

Stakeholder legitimacy is a summed up presumption or discernment that the activities of an element are legitimate, alluring, or proper inside some socially acknowledged guidelines of norms, standards, convictions, and definitions (Weber, 1947; Suchman, 1995). Stakeholder legitimacy arises from a legal right, contract, exchange, legal title, moral interest or moral right in the evils and benefits produced by the activities of an organization (Agle et al., 1999). Phillips (2003) elaborated

the concept of stakeholder legitimacy by distinguishing derivative and normative stakeholders, drawing upon “the normative part of stakeholder model”. Phillips clarified that stakeholders who hold the capacity to influence the organizations are authoritatively legitimate and this legitimacy is resultant of moral obligation owed to their stakeholders. Distinct from the more socially constructed interpretation of legitimacy by Mitchell et al. (1997), Phillips’ distinction argued for legitimacy criteria that rely upon norms to signal salience (i.e., based more upon standards of correctness than on general acceptance).

Stakeholder urgency is a multi-dimensional idea that has both criticality and transience, with a stakeholder asserts thought to be earnest in two cases firstly, when it is essential and also, when it is unsuitable of deferral in focusing (Mitchell & Agle, 1997). Stakeholder urgency is the stakeholder’s claim for prompt consideration in view of the idea of time sensitivity and criticality or its significance (Mitchell et al., 1997). Time sensitivity alludes to how much a managerial postponement in attending to the claim or relationship is unsuitable to the stakeholder. Criticality at that point alludes to the significance of the claim or significance of the stakeholder. As per the stakeholder theory, one stakeholder may have all the three attributes, though another stakeholder may hold just a single or two attributes, which can bothers their significance to organizational management and their imminent effect on the organization in positive or negative way (Mitchell et al., 2011). Driscoll and Starik (2004) contended that managers will probably focus on stakeholders whose claims are more time touchy, critical, and have a higher probability of occurrence.

The research study also utilized the definition of stakeholder salience exhibited by Mitchell et al., (1997) as “the degree to which managers give priority to competing stakeholder claims”. Their model of stakeholder salience was described on the introduce of managerial perceptions; they suggested that stakeholder salience is insistently and altogether associated with the total number of the three attributes, power, legitimacy, and urgency that are “perceived by managers to be present”. Moreover, Freeman (1984) identified that managers’ need observations may append to stakeholders groups and additionally to particular stakeholder claims. Furthermore, he contended that attributes act as components not as persevering

states and can change for a particular group or stakeholder and management relationships. Mitchell et al., (1997) explained that the presence of each attribute as an issue of perception in the minds of managers is a reality made after some time rather than an objective reality. The literature suggests that the stakeholders' attributes of power, legitimacy and urgency are both individually and accumulatively linked to stakeholders' salience across all stakeholders' classes (Agle et al., 1999).

Moreover, researchers in the area of social cognition theory hold that the impact of social salience on consideration is identified with the impacts of selectivity as further affected by the "intensity" of observation, which means the degree of the "mental exertion dedicated to the concentration of consideration chose" (Fiske & Taylor, 1984). Along these lines, when we connected the general social cognition model to the stakeholder case, we anticipated that stakeholders' salience would be most astounding when both selectivity and intensity were high-which gives a hypothetical reason to the desires as the stakeholders' attributes of power, legitimacy, and urgency cumulate in the brain of a manager, selectivity is upgraded, intensity is expanded, and higher salience of the stakeholder group is the imaginable outcome (Mitchell et al., 1997).

So on the basis of above reasoning we hypothesize that;

H1: Stakeholders' attribute of power is significantly and positively associated with stakeholder salience.

H2: Stakeholders' attribute of legitimacy is significantly and positively associated with stakeholder salience.

H3: Stakeholders' attribute of urgency is significantly and positively associated with stakeholder salience.

2.5 Mediating Role of Ethical Climate between Stakeholder Attributes and Stakeholder Salience

Climate of an organization is the perception of both formal and informal shared practices, policies and procedures of an organization (Schneider, González-Romá, Ostroff, & West, 2017). While ethical climate is the kind of organizational climate which mirrors the perception of workers about moral policies, practices and system of the organization (Martin, & Cullen, 2006). The ethical climate has been conceptualized as an organizational level construct which reflects the perception of employee's shared ethical climate (Shin, 2012). The conduct of organizational members are formed by the organizational procedures, methods and moral standards, while ethical values of a firm establishes standards and behaviors of the firm, which influences the employees to follow (Verbeke et al., 1996; Wimbush & Shepard, 1994).

Relevant literature shows that ethical climate has significant association with various organizational work outcomes like job satisfaction (Deshpande, 1996; Tsai & Huang, 2008; Valentine & Fleischman, 2004; Schwepker, 2001), organization commitment (Cullen et al., 2003; Schwepker, 2001; Tsai & Huang, 2008), ethical conduct (Deshpande & Joseph, 2009; Wimbush et al., 1997) and in-role and extra-role behaviors (Leung, 2008).

Litwin and Stringer's (1968) work clarifies that elements of organization, for example, leadership, produces organizational climates that animates diverse inspirations inside organizational members which help these members to accomplish organizational goals and in addition help to shape the conducts of people and help to think about their workplaces. Organizational climates found to assume an imperative intervening mechanism between organizational factors and essential appropriate outcomes (Zohar & Luria, 2005; Hofmann, & Stetzer, 1998; Schminke et al., 2005).

Mediation offers an approach that is theoretically appealing and practically useful in organization-stakeholder relationships. It is a non-adversarial method that attempts in building strong relations between organization and their stakeholders

through communication, mutual understanding, and collaboration, offering the distinctive opportunity to preserve and promote association under difficult situations. Advancing such esteem values to be a characteristic objective of managers for the welfare of the network of associations that are business and society (Jones, Felps, & Bigley, 2007). Therefore, the concept of mediation is used as an essential part of the stakeholder research, which may help organization to strengthen the organization-stakeholder relationships by using different mediations based on business ethics. Such efforts are bound to advance the basic values of caring and compassion that, in the opinion of many, underlie both mediation and an ethical stakeholder approach to management (Jones, Felps, & Bigley, 2007).

Jones, Felps, and Bigley (2007) examined the role of the organization's ethical climate, which they term stakeholder culture, in assessments of the attributes of salience. They recommended that the stakeholder attribute of power would greatly effect on salience in both self and other-regarding stakeholder, while cultures, while legitimacy would have a greater effect on salience in stakeholder cultures that are more other-regarding.

In line with the above reasoning we argue that when an organization considers their stakeholders on the basis of attributes of power, legitimacy and urgency such stakeholders become important for that organization and organization feel its ethical responsibility to fulfill their claims. In this way that organization actually creates an ethical climate as these stakeholders fulfill organization's need and in return that organization fulfill their claims, which ultimately leads towards stakeholders' salience. So we hypothesise that:

H4: Ethical climate mediates the association between stakeholders' attribute of power and stakeholder salience.

H5: Ethical climate mediates the association between stakeholders' attribute of legitimacy and stakeholder salience.

H6: Ethical climate mediates the association between stakeholders' attribute of urgency and stakeholder salience.

2.6 Moderating Role of Ethical Leadership between Stakeholders' Attributes and Ethical Climate

Given conspicuous ethical scandals in practically every sort of organizations, the significance of an ethical dimension of leadership appears glaringly evident. However, keeping in mind the ultimate objective to understand this leadership phenomenon and its relationship with predictors and its outputs, it is essential to perceive what "it" is. Scholars have given the proper reaction of this inquiry "what is ethical leadership really is" from a managing perspective, showing how ethical leadership "should" to act (Ciulla, 2004).

The values of organizations and good assumption of leaders are observed to be intricate and that they shift with time, geography, and culture (Sen, 1997), the presence or nonattendance of stakeholders attributes is likely to shape and is molded by leaders' values. Moral conduct of the leader is a vital condition to set up a moral organization, however only this is not enough. The managers who take part in ethical leadership conduct should likewise go about as moral agents in advancing an ethical climate (Flynn, Smither, & Walker, 2016).

At the point when practices in an organization are seen to be moral, these perceptions impact ethical decision and the practices of employees and their dispositions toward individual occupations (Brown & Treviño, 2006). The aggregate impact of different members of organizations' moral perceptions makes a workplace described by shared moral work standards (Davidovitz, et al., 2007; Dickson, et al., 2001). People's dispositions toward their occupations and the organizations are influenced by ethical climate (Cullen et al., 2003). The impact of ethical leadership stretches out to impact individuals' commitment toward organization through an ethical climate (Brown et al., 2005).

Ethical leadership is indispensable for reinforcing ethical climate of an organization (Akdoğan, Arslan, & Demirtaş, 2016). Literature suggests through social learning, exchange, and social identity, the behavior of ethical leadership is transformed

into the behavior of followers (Trevino et al., 2003; Walumbwa et al., 2011; Brown & Treviño, 2006). Ethical leadership show, convey and fortify adequate conduct through building up moral standard in the organization. What's more, they generally lead their adherents by setting case of moral conduct i.e. treating them decently, dealing with the solid profound quality which advances glorified impact on them (Walumwa et al., 2008). The conduct of followers is altogether affected by ethical leadership through social learning, as their followers look for direction through ethical role modelling in the organization (Kohlberg, 1969; Treviño, 1986). The ability through which ethical leadership show normatively adequate conduct is because of power of position e.g. rewarding and punishing the moral and exploitative conduct of their followers (Brown & Treviño, 2006). This conduct persuades the followers to focus on an ethical conduct through social learning.

Ethical leadership underlines on development of their followers and give chances of preparing to enhance their capacities to make decisions having the components of ethics and keep away from the unethical behaviors (Zhu, 2008; Treviño et al., 2003). As good examples of their followers, the followers are furnished with a superb workplace by ethical leaders, for this situation followers are not regarded as the unfortunate obligation (Brown et al., 2005). As the determinism of correspondence (Sims and Manz, 1982; Bandura, 1977), followers of ethical leadership feel compelled by a sense of honor to build up their moral conduct (Trevino et al., 2003). So in line with these reasoning, it is argued that when leader display ethical behavior in an organization, that behavior has an impact on the organizational environment. Ethical leadership may also plays role as boundary conditions for the association of stakeholders' attributes and ethical climate. This ethical behavior of a leader contributes toward the development of ethical climate of that organization. Likewise when there is ethical leadership in the organization, the stakeholders of that organization are also paid attention on the basis of their attributes as they contribute toward the achievement of organizational objectives by providing necessary input and as the response the leadership of that organization feels their ethical responsibility to return those stakeholders in the same way. In

this way both the ethical leadership and stakeholders' attributes (power, legitimacy and urgency) affect the climate of that organization which is more likely as ethical climate. In line with above reasoning, we argue that ethical leadership buffers the association between stakeholders' attributes i.e. power, legitimacy & urgency and ethical climate. Accordingly, we hypothesize that:

H7: Ethical leadership moderates the relationship between stakeholders' attribute of power and ethical climate such that if ethical leadership is high than this relationship is more pronounced.

H8: Ethical leadership moderates the relationship between stakeholders' attribute of legitimacy and ethical climate such that if ethical leadership is high than this relationship is more pronounced.

H9: Ethical leadership moderates the relationship between stakeholders' attribute of urgency and ethical climate such that if ethical leadership is high than this relationship is more pronounced.

2.7 Theoretical Model

This study is aimed to develop the relationship of stakeholder attributes with stakeholder's salience with mediating mechanism of ethical climate and also the moderating role of ethical leadership between stakeholder attributes and stakeholder's salience.

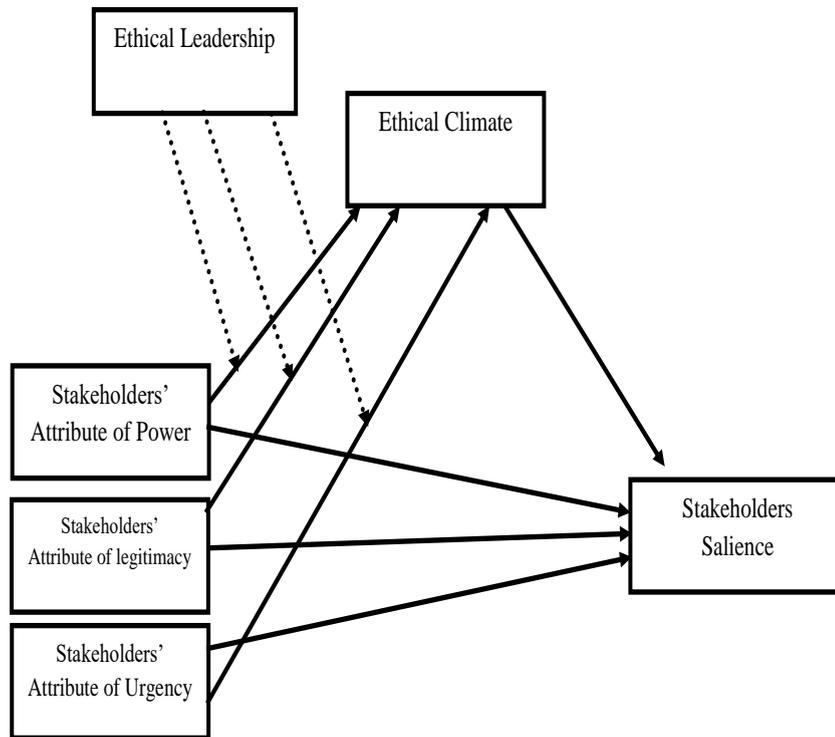


FIGURE 2.1: Theoretical Model.

2.8 Summary of Hypothesis

No. Hypothesis Statement

- H1 Stakeholders' attribute of power is significantly and positively associated with stakeholder salience.
- H2 Stakeholders' attribute of legitimacy is significantly and positively associated with stakeholder salience.
- H3 Stakeholders' attribute of urgency is significantly and positively associated with stakeholder salience.
- H4 Ethical climate mediates the association between stakeholders' attribute of power and stakeholder salience.
- H5 Ethical climate mediates the association between stakeholders' attribute of legitimacy and stakeholder salience.
- H6 Ethical climate mediates the association between stakeholders' attribute of urgency and stakeholder salience.
-

No. Hypothesis Statement

- H7 Ethical leadership moderates the relationship between stakeholders' attribute of power and ethical climate such that if ethical leadership is high than this relationship is more pronounced.
- H8 Ethical leadership moderates the relationship between stakeholders' attribute of legitimacy and ethical climate such that if ethical leadership is high than this relationship is more pronounced.
- H9 Ethical leadership moderates the relationship between stakeholders' attribute of urgency and ethical climate such that if ethical leadership is high than this relationship is more pronounced.
-

Chapter 3

Research Methodology

Chapter 3 of this study elaborates methodological framework adopted to conduct this research study. Methodology is composed of research design, population, sample, instrumentation, data analysis procedure and statistical tools used for the analysis.

3.1 Research Design

Research design is define as the basic strategy to test the theory (Rubin, 1987). The major objective is to plan and structure the research study in a way that increases its validity (Marais, & Pienaar-Marais, 2016). It is a comprehensive process for managing the research process and its relevant aspects.

3.1.1 Nature of the Study

The study was causal in nature, targeted to gauge the impact of stakeholders' attributes i.e. power, urgency and legitimacy on stakeholder's salience through the mechanism of ethical climate in presence of moderating role of ethical leadership between stakeholders' attributes and ethical climate.

3.1.2 Study Setting

This was a field study as the questionnaires were got filled by the managers and employees of different new emerging ventures located in Rawalpindi, Islamabad and Gilgit Baltistan during working hours in their natural work environment and settings. All the study variables are self-rated.

3.1.3 Time Horizon

The data has been collected within six months (January, 2015 to June, 2016). The data were collected at one time only therefore the study is cross sectional in its nature.

3.1.4 Unit of Analysis

In empirical research an important part is entity which is being analyzed called unit of analysis. Each member in an organization is called unit and one element of the population is called unit of analysis. The selection of unit of analysis relies upon the span, purpose and nature of research. The unit of analysis can be an individual, groups, organizations or cultures. In Micro level research, the unit of analysis is individuals and at broader level it focuses on groups. The Macro level research is based on social structure, social procedures and their interconnections and the focus is on organization. The meso level research is the combination of individuals and structure. It is difficult to get data from organizations, so individual employees and their managers who were working in different emerging ventures were the unit of analysis in this study.

3.2 Purpose of the Study

The purpose of the current research study was to test the proposed model. This research study explains the association between the independent and dependant variables of proposed research model as to examine whether the association is

positively or negatively linked or no association exists in them. More specifically, the study examined the mediating role of ethical climate between the association of stakeholders' attributes (power, legitimacy and urgency) and stakeholder salience. This research also examined the moderating role of ethical leadership between the association of stakeholders' attributes (power, legitimacy and urgency) and ethical climate in emerging ventures of Pakistan.

3.3 Study's Populations and Sample

A population of research is characterized as the group of individuals or items that possesses characteristics of similar nature (Mörseburg et al., 2016). The population of the current study was the employees and their managers working in different emerging ventures situated in the twin cities of Islamabad & Rawalpindi and Gilgit-Balistan. 310 respondents were contacted and requested to complete the questionnaires. 247 respondents out of 310 returned the questionnaires. Out of 247 questionnaires 39 were excluded due to extensive missing data and the remaining 208 questionnaires were included in the analysis. The rate of response was 67%.

3.4 Sampling Technique

The technique for data collection employed in this study was survey method. This technique is simple and it helps to collect data from number of respondents at the same time as compared to other methods. In research studies, this method was mostly used in order to generalize the result on whole population. For present study the particular technique was chosen because of limited time and resource constraint.

3.5 Instrumentation

Close ended, structured questionnaires were used for data collection. The scales were 5 points Likert scales (1 = Strongly Disagree, 5 = Strongly Agree).

3.5.1 Stakeholder Attributes

The scale developed by (Agle et al., 1999) to measure the stakeholder attributes i.e. power, urgency and legitimacy was used in the study. This scale contains 9 items in total, whereas each attribute has 03 items each. The cronbach's alpha value of Power was .89, Urgency was .84 and Legitimacy was .73. These items are supposed to measure three attributes i.e. power, urgency and legitimacy of all key stakeholders (suppliers, loaning agencies, employees etc.) of an organization. Examples of the items are "This stakeholder group had the power to enforce its claims" (Power), "This stakeholder group urgently communicated its claims to our firm" (Urgency) and "The claims of this group were legitimate in the eyes of our management team" (Legitimacy).

3.5.2 Ethical Leadership

Ethical leadership in the organization was assessed from managers and employees by using ethical leadership scale which consists of ten-items developed by Brown et al., (2005). The cronbach's alpha value was '0.829'. Examples of the items are "My leader conducts his/her personal life in an ethical manner." and "My leader sets an example of how to do things the right way in terms of ethics."

3.5.3 Ethical Climate

Employee respondents collected on the five-item questionnaire of ethical climate developed by Mayer et al., (2010). The cronbach's alpha value was '0.709'. Example of the items is "In this company, people are expected to strictly follow legal or professional standards".

3.5.4 Stakeholder Salience

We used the scale developed by (Agle et al., 1999) to measure the stakeholder salience. This scale contains 3 items. The cronbach's alpha value was '0.798'. Example of the items is "This stakeholder group had the power to enforce its claims."

3.6 Data Collection Technique and Time Frame

The technique for data collection employed in this study was survey method. This technique is simple and it helps to collect data from number of respondents at the same time as compared to other methods. In research studies, in order to generalize the result on whole population, this method was used in most of the research studies. Due to limited time and resource constraints this particular method was chosen. This study collects data from 208 employees of different emerging ventures in three cities of Pakistan through questionnaire.

3.7 Data Analysis Techniques and Tools

Two softwares were used for data analysis. Amos was used for confirmatory factor analysis (CFA) while SPSS was used for reliability, descriptive, correlation and regression analysis. Hayes (2012) process method was used for mediation, moderation and regression analysis.

3.8 Sample Characteristics

3.8.1 Respondents' Demographic Characteristics

TABLE 3.1: Gender.

	Frequency	Percent	Valid Percent	Cumulative Percent
Male	154	74.0	74.0	74.0
Female	54	26.0	26.0	100.0
Total	208	100.0	100.0	

Table 3.1 represents the gender composition of the sample. The table shows that both male and female were the part of sample. Out of 208 respondents 74.0% (154n) were male while 26.0% (54n) were female. However, majority of the respondents were male.

TABLE 3.2: Age.

	Frequency	Percent	Valid Percent	Cumulative Percent
18-25	15	7.20	7.20	7.20
26-33	82	39.4	39.4	46.6
34-41	69	33.2	33.2	79.8
42-49	32	15.4	15.4	95.2
50 and above	10	4.80	4.80	100.0
Total	208	100.0	100.0	

Table 3.2 reflects the composition of age of sample. The table shows that respondent of present study belong to different age groups. 7.2% (15n) belonged to 18-25 years of age group, 39.4% (82n) to 26-33 years, 33.2% (69n) to 34-41 years, 15.4% (32n) to 42-49 years and 4.8% (10n) belonged to 50 years or more years of age. The majority of the population was young within the age range of 26-33 years.

TABLE 3.3: Qualification.

	Frequency	Percent	Valid Percent	Cumulative Percent
Inter	11	5.30	5.30	5.30
Bachelors	53	25.5	25.5	30.8
Masters	119	57.2	57.2	88.0
MS/Ph.D	25	12.0	12.0	100.0
Total	208	100.0	100.0	

Table 3.3 reflects the composition of qualification of the population. 5.3% (11n) of the respondents were having Intermediate, 25.5% (53n) having Bachelors, 57.2% (119n) having Masters and 12% (25n) having MS/PhD level of education. Majority of the respondents were having the master degree.

TABLE 3.4: Experience.

	Frequency	Percent	Valid Percent	Cumulative Percent
1-5	71	34.1	34.1	34.1
6-10	71	34.1	34.1	68.3
11-15	38	18.3	18.3	86.5
16-20	22	10.6	10.6	97.1
20 and above	6	2.90	2.90	100.0
Total	208	100.0	100.0	

Table 3.4 reflects the composition of experience of population. This table shows that sample also varied in term of job experience 34.1% (71n) were having 1-5 years of experience, 34.1% (71n) having 6-10 years, 18.3% (38n) having 11-15 years, 10.6% (22n) having 16-20 years and 2.9% (6n) were having the experience of 21 or more years. 1-5 and 6-10 years' experience found more frequent in the sample.

Chapter 4

Results

This study focus at finding the impact of stakeholders attributes on stakeholders salience with mediating role of ethical climate and moderating role of ethical leadership. This chapter shows the relationships of study variables through descriptive statistics, correlation and regression analysis of the data.

4.1 Descriptive Statistics

These statistics provides the concise summary of standardized values of the variables. This analysis reflects the size of sample, mean values of the sample, minimum and maximum values and standard deviation values of the data.

TABLE 4.1: Descriptive Statistics.

	N	Min	Max	Mean	Std. Dev.
Power	208	1.00	5.00	3.97	.86
Urgency	208	1.00	5.00	3.84	.73
Legitimacy	208	1.00	5.00	3.51	.80
Ethical Leadership	208	2.10	4.70	3.60	.57
Ethical Climate	208	1.40	5.00	3.77	.63
Stakeholder Salience	208	1.67	5.00	3.97	.75

Table 4.1 shows variables used in the study with their respective statistics. Details of the study variable are shown in the first column. Second informs about sample size. Third, 4th, 5th and 6th columns show min value, max value, mean and the values of standard deviation respectively. The sample size is 208. The scale used for measurement was ‘Likert’ scale which was ranging from 1 to 5. Stakeholders’ attributes i.e. Power shows mean = 3.97 and S.D = 0.86, Urgency shows mean = 3.84 and S.D = 0.73 and Legitimacy shows mean = 3.51 and S.D = 0.80 (independent variables). Ethical leadership (moderating variable) shows mean = 3.60 and S.D = 0.57. Ethical climate (mediating variable) shows mean = 3.77 and S.D = .63. And finally the Stakeholders salience (dependent variable) shows mean= 3.97 and S.D= 0.75.

4.2 Control Variables

Gender, age, qualification and experience affect organizational outcomes (Mawritz et al., 2012). Therefore, the demographics had been included in the study. One way ANOVA is carried out to check whether demographic variables are significantly associated with stakeholder salience or not. Result of one way ANOVA for demographic variables is presented below in Table 4.2.

TABLE 4.2: Control variables.

Control Variables	F	Sig.
Gender	1.34	0.24
Age	0.01	0.89
Qualification	1.66	0.19
Experience	2.42	0.12

Sig. level $p < 0.05$

Table 4.2 shows that all demographics variables i.e. Gender, Age, Qualification and Experience are not significantly associates with stakeholder salience in present research study, such as Gender ($F = 1.34$, $p > .05$) Age ($F = 0.01$, $p > .05$), Qualification ($F = 1.660$, $p > .05$) and Experience ($F = 2.428$, $p > .05$). So all

demographics have shown no impact on the stakeholder salience therefore, these were not controlled during the analysis.

4.3 Confirmatory Factor Analysis

All the variables used in the study i.e., Stakeholders' Attributes i.e. Power, Urgency and Legitimacy, Ethical Leadership, Ethical Climate and Stakeholder Salience were answered by employees and managers, therefore it becomes essential to establish that whether respondents perceive these construct distinct from one another and model is fit for the purpose or not. Confirmatory factor analysis was conducted to examine discriminant validity of the study variables. For this purpose, Structural Equational Modeling (SEM) was used through AMOS software to determine the discriminate validity of constructs and fitness of the model. According to the suggestion of Anderson & Gerbing (1988), full measurement model of the study was run and model fit statistics (CMIN/DF, RMSEA, IFI, TLI and CFI) were collected and presented in the Table 4.3.

TABLE 4.3: Results of Confirmatory Factor Analysis.

	Chi-square/df	RMSEA	IFI	TLI	CFI
Initial values of full factors model	2.88	.08	.76	.72	.75
Final values full factors model	1.94	.06	.93	.90	.91
5 Factor Model: Power-Legitimacy	3.41	.10	.77	.75	.76
5 Factor Model: Power-Urgency	2.22	.07	.87	.88	.85
5 Factor Model: Power-EL	2.89	.08	.80	.82	.80
5 Factor Model: Power-EC	3.17	.09	.77	.79	.75
5 Factor Model: Power-SS	3.22	.09	.77	.79	.73
5 Factor Model: Legitimacy-Urgency	2.83	.08	.81	.82	.80
5 Factor Model: Legitimacy-EL	4.50	.12	.64	.67	.69
5 Factor Model: Legitimacy-EC	3.70	.10	.72	.74	.76
5 Factor Model: Legitimacy-SS	4.33	.11	.65	.68	.69

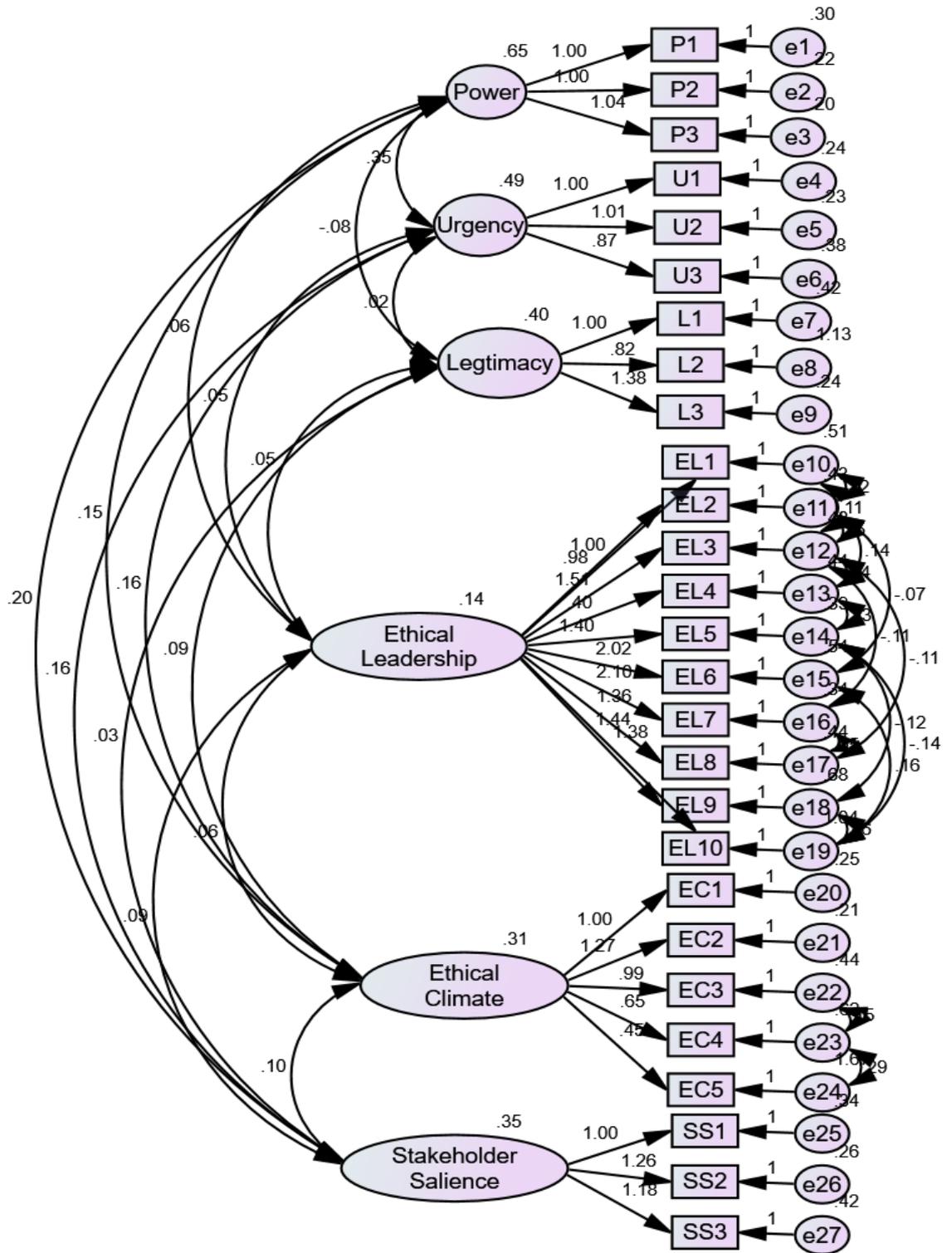


FIGURE 4.1: CFA, Full measurement model diagram (AMOS Output).

Table 4.3 indicates that initially value of Chi-square/df (2.88), which indicates good model fit (less than 3), RMSEA (.08) indicates fair fit (between .06 to .08). But IFI (.76), TLI (.72) and CFI (.75) value were below 0.9, which is less than permissible threshold. However, correlating the error terms, fitness of the model improved Chi-square/df further dropped to (1.94) and RMSEA value dropped to (.06) which indicates good fit. Moreover, IFI (.93), TLI (.90) and CFI (.91) were also improved upto required level. The results of CFA indicated that the full CFA model was adequately fits the data well. We also ran one-on-one pairing of IVs with other variables of the study to establish the discriminant validity of the variables, which also confirmed the same.

4.4 Correlation Analysis

The analysis shows relation between two variables (indicated by level of significance) and the direction of the relation (indicated by positive or negative signs). Positive sign indicates that both the variables are moving in the same direction and negative sign claims that variables have opposite movements. Pearson correlation analysis is used to calculate correlation coefficient. The value of coefficient lies between +1.00 to -1.00. Zero value indicates no correlation between variables.

TABLE 4.4: Correlations.

	1	2	3	4	5	6
1. Power	1					
2. Urgency	.518**	1				
3. Legitimacy	-.088	.055	1			
4. Ethical Leadership	.215**	.148*	.227**	1		
5. Ethical Climate	.229**	.357**	.262**	.373**	1	
6. Stakeholder Salience	.365**	.318**	.029	.352**	.257**	1

** . Correlation is significant at the 0.01 level (2-tailed).

* . Correlation is significant at the 0.05 level (2-tailed).

Correlation Analysis among the study variables i.e. stakeholders' attributes i.e. power, urgency and legitimacy, ethical leadership, ethical climate and stakeholder

salience have been demonstrated in Table 4.4. According to correlation Table, Power is positively and significantly correlated with urgency ($r = 0.51, p < 0.01$) ethical leadership ($r = 0.21, p < 0.01$), ethical climate ($r = 0.22, p < 0.01$) and stakeholder salience ($r = 0.36, p < 0.01$) whereas it is negatively and insignificantly correlated with legitimacy ($r = -0.08, p > 0.05$). Urgency is positively and significantly correlated with ethical leadership ($r = 0.14, p < 0.05$), ethical climate ($r = 0.35, p < 0.01$) and stakeholder salience ($r = 0.31, p < 0.01$) whereas it is positively and insignificantly correlated with legitimacy ($r = 0.05, p > 0.05$). Legitimacy is positively and significantly correlated with ethical leadership ($r = 0.22, p < 0.01$) and ethical climate ($r = 0.26, p < 0.01$) whereas it is positively and insignificantly correlated with stakeholder salience ($r = 0.02, p > 0.05$). Ethical leadership is positively and significantly correlated with ethical climate ($r = 0.37, p < 0.01$) and stakeholder salience ($r = 0.35, p < 0.01$). Ethical climate is positively and significantly correlated with stakeholder salience ($r = 0.25, p < 0.01$).

4.5 Regression Analysis

Regression analysis indicates the extent to which an outcome variable is dependent upon the predictor variable. It helps to give understanding of the fact that how value of criterion variable changes when a variation occurs in one or more independent variables. So it explains the causal relationship between the variables while correlation analysis just explains the relationship between variables. The regression process is carried on by different tools (for example, Baron & Kenny, (1986) but here for the convenience and suitability of the study, Hayes (2012) process method is used for analysis.

According to Preecher and Hayes (2008), Baron and Kenny (1986,87) method is outdated because it imposes a condition of total effect of causation for mediation while in some researchers' point of view, it is not necessary and even a hindrance in the way of gauging true impact (Preacher & Hayes, 2008; Preacher, Rucker & Hayes, 2007; Hayes, 2012). According to these researchers, the indirect effect

through mediation is also possible even if no clues of direct effect between predictor and outcome variables are found. Moreover, as the data in social sciences is always problematic due to the situation, nature and context of respondents so the bootstrapping technique for mediation in Hayes (2012) process method increases the likeability of realistic results because the sample is divided into many small bits and pieces and analysis is run on those smaller sized sub samples.

Tables 4.5 - 4.7 confirm the results of regression analysis performed by using Hayes (2012) process method.

H1: The Stakeholder attribute of power is significantly and positively associated with Stakeholder salience.

H2: The Stakeholder attribute of legitimacy is significantly and positively associated with Stakeholder salience.

H3: The Stakeholder attribute of urgency is significantly and positively associated with Stakeholder salience.

The results of the Table 4.5 shows that Stakeholder attributes of power ($B = 0.28$, $t = 4.93$, $p < .001$), legitimacy ($B = 0.29$, $t = 4.99$, $p < .001$) and urgency ($B = .26$, $t = 3.70$, $p < .001$) have a positive and significant relation with Stakeholder salience, accepting the first three hypothesis. It means that stakeholders attribute of power causes 28% stakeholder salience, legitimacy causes 29% stakeholder salience while urgency causes 26% stakeholder salience. P value indicates higher level of significance which provides strong grounds to accept the hypothesis.

TABLE 4.5: Regression Analysis for Direct Effect on stakeholders' salience.

Variables	B	SE	t	p
Stakeholder attribute of power → Stakeholder salience	.28	.05	4.93	.000
Stakeholder attribute of legitimacy → Stakeholder salience	.29	.04	4.99	.000
Stakeholder attribute of urgency → Stakeholder salience	.26	.07	3.70	.000

***p < .05, **p < .01, ***p < .001*

H4: Ethical climate mediates the association between stakeholder attribute of power and Stakeholder salience.

H5: Ethical climate mediates the association between stakeholder attribute of legitimacy and Stakeholder salience.

H6: Ethical climate mediates the association between stakeholder attribute of urgency and Stakeholder salience.

According to the results reflected by table 4.6, it is evident that the mean indirect effect of stakeholders' attribute of power on stakeholder salience through the mediation of ethical climate is significant. The bootstrapping values are -.1019 to -.0010 with a 95% confidence Interval excluding zero. These results suggest sufficient support that ethical climate mediates the association between stakeholders' attribute of power and stakeholder salience. It is also evident that the mean indirect effect of stakeholders' attribute of legitimacy on stakeholder salience through the mediation of ethical climate is significant. The bootstrapping values are .0215 to .1607 with a 95% confidence Interval excluding zero. These results suggest sufficient support that ethical climate mediates the association between stakeholders' attribute of legitimacy and stakeholder salience. Hence the fourth and fifth hypotheses are accepted. The results show that that the mean indirect effect of stakeholders' attribute of urgency on stakeholder salience through the mediation of ethical climate is insignificant. The bootstrapping values are -.0324 to .0554 with a 95% confidence Interval excluding zero. These results suggest that ethical climate does not mediate the association between stakeholders' attribute of urgency and stakeholder salience. Hence sixth hypothesis is rejected.

TABLE 4.6: Regression Analysis for Direct Effect on stakeholders' salience.

	LL 95% CI	UL 95% CI
Bootstrap results for indirect effect of stakeholder attributes of power on stakeholders salience	-.1019	-.0010
Bootstrap results for indirect effect of stakeholder attributes of legitimacy on stakeholders salience	.0215	.1607
Bootstrap results for indirect effect of stakeholder attributes of urgency on stakeholders salience	-.0324	.0554

Note. Un-standardized regression coefficients reported. Bootstrap sample size 5000. LL = lower limit; CI = confidence interval; UL = upper limit

H7: Ethical leadership moderates the relationship between stakeholders' attribute of power and ethical climate such that if ethical leadership is high than this relationship is more pronounced.

H8: Ethical leadership moderates the relationship between stakeholders' attribute of legitimacy and ethical climate such that if ethical leadership is high than this relationship is more pronounced.

H9: Ethical leadership moderates the relationship between stakeholders' attribute of urgency and ethical climate such that if ethical leadership is high than this relationship is more pronounced.

Finally results from Table 4.7 supported Hypothesis 7 and 8 which claimed that ethical leadership moderates the relationship between stakeholders' attribute of power and stakeholder salience ($B = -.14$, $t = -1.94$, $p < .05$) and stakeholders' attribute of legitimacy and stakeholder salience ($B = .21$, $t = -2.51$, $p < .05$) in a way that higher the ethical leadership, stronger the relationship or lower the ethical leadership, weaker the relationship. Whereas the result shows that ethical leadership does not moderate the relationship between stakeholders' attribute of urgency and stakeholder salience ($B = .01$, $t = .19$, $p > .05$). So the hypothesis 7 and 8 are accepted and 9 is rejected.

The hypothesis 7 and 8 are also supported from moderation graphs in Figures 4.2 and 4.3.

TABLE 4.7: Regression analysis for moderation.

Predictors	B	SE	T	P
Stakeholder attribute of Power×Ethical leadership	-.14	.07	-1.94	.04
Stakeholder attribute of Legitimacy×Ethical leadership	.21	.08	2.51	.01
Stakeholder attribute of Urgency×Ethical leadership	.01	.09	.19	.84

* $p < .05$, ** $p < .01$, *** $p < .001$

Upward slope of the lines indicates a positive association between stakeholders' attribute of power and ethical climate. The dotted line represents high ethical leadership situation whereas bold line reflects low ethical leadership. Position of the lines represents the relationship between stakeholders' attribute of power

and ethical climate. As dotted line lies above the bold line with a high steeper slope, it represents that in case of high EL, the association between stakeholders' attribute of power and ethical climate is stronger, while the bold line lies below the dotted line with less steeper slope which shows that in case of low EL situation, the association between stakeholders' attribute of power and ethical climate is weaker. The graph clarifies the buffering role and direction of ethical leadership between stakeholders' attribute of power and ethical climate which gives additional support for the acceptance of hypothesis 7.

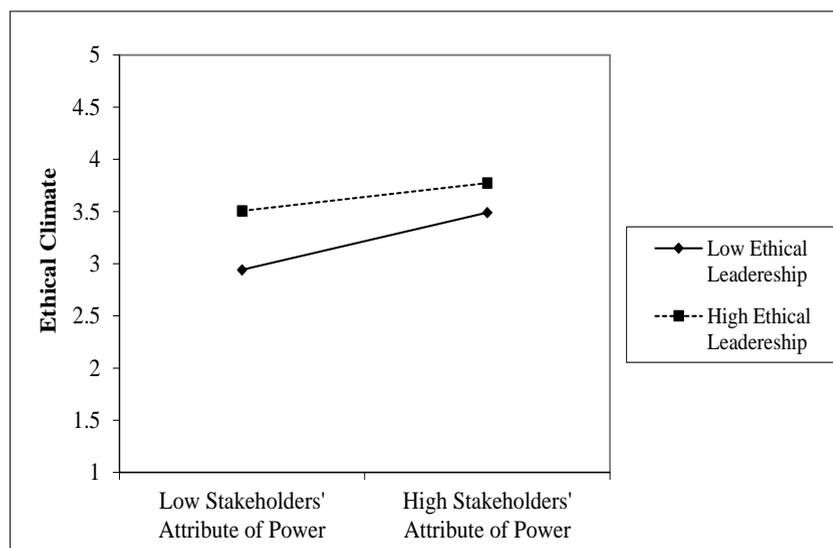


FIGURE 4.2: Moderation graph.

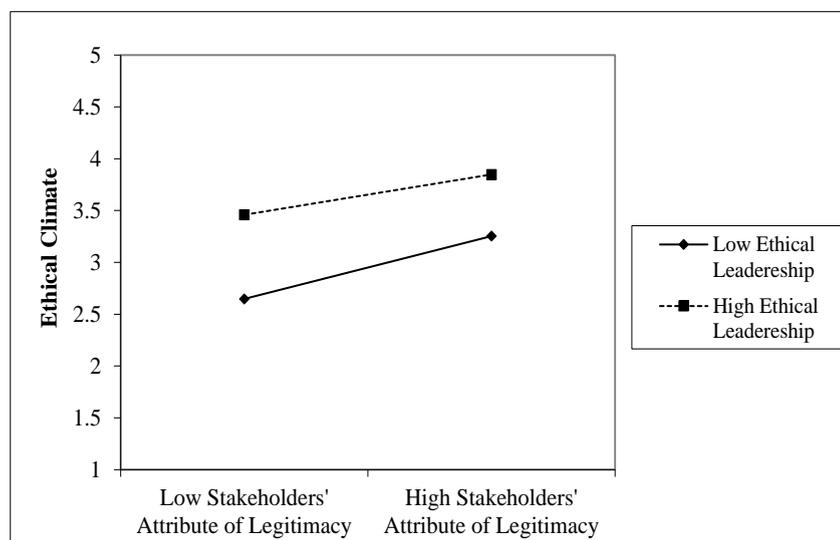


FIGURE 4.3: Moderation graph.

Upward slope of the lines indicates a positive association between stakeholders' attribute of legitimacy and ethical climate. The dotted line represents high ethical leadership situation whereas bold line reflects low ethical leadership. Position of the lines represents the relationship between stakeholders' attribute of legitimacy and ethical climate. As dotted line lies above the bold line with a high steeper slope, it represents that in case of high EL, the association between stakeholders' attribute of legitimacy and ethical climate is stronger, while the bold line lies below the dotted line with less steeper slope which shows that in case of low EL situation, the association between stakeholders' attribute of legitimacy and ethical climate is weaker. The graph clarifies the buffering role and direction of ethical leadership between stakeholders' attribute of legitimacy and ethical climate which gives additional support for the acceptance of hypothesis 8.

TABLE 4.8: Regression analysis for moderation.

No.	Hypothesis Statement	
H1	Stakeholders' attribute of power is significantly and positively associated with stakeholder salience.	Accepted
H2	Stakeholders' attribute of legitimacy is significantly and positively associated with stakeholder salience.	Accepted
H3	Stakeholders' attribute of urgency is significantly and positively associated with stakeholder salience.	Accepted
H4	Ethical climate mediates the association between stakeholders' attribute of power and stakeholder salience.	Accepted
H5	Ethical climate mediates the association between stakeholders' attribute of legitimacy and stakeholder salience.	Accepted
H6	Ethical climate mediates the association between stakeholders' attribute of urgency and stakeholder salience.	Rejected
H7	Ethical leadership moderates the relationship between stakeholders' attribute of power and ethical climate such that if ethical leadership is high than this relationship is more pronounced.	Accepted

No. Hypothesis Statement

- H8 Ethical leadership moderates the relationship between stakeholders' attribute of legitimacy and ethical climate such that if ethical leadership is high than this relationship is more pronounced. **Accepted**
- H9 Ethical leadership moderates the relationship between stakeholders' attribute of urgency and ethical climate such that if ethical leadership is high than this relationship is more pronounced. **Rejected**
-

Chapter 5

Discussion and Conclusion

5.1 Discussion

This study was meant to investigate the positive association between stakeholders' attributes i.e. power, legitimacy & urgency and stakeholders' salience. Especially the mechanism through which stakeholders' attributes influences stakeholders' salience. The effect of ethical leadership with the interaction of stakeholders' attributes on ethical climate was also proposed.

The results of this study affirmed that stakeholders' attribute of power, legitimacy & urgency are positively and significantly related to stakeholders' salience. These findings suggest that the stakeholders' salience is increased with the increasing level of stakeholders' attributes. The findings are backed by the positive association of stakeholders' attributes with stakeholders' salience, established previously by Agle et al., (1999) and Mitchell et al., (1997). So this study built up the significance of stakeholders' attributes in the organizations for increasing stakeholders' salience, which ultimately helps for the improving the performance of the organizations by providing the timely inputs.

The current study also identified the mechanism through which stakeholders' attributes of power and legitimacy affect stakeholders' salience. However, this mediating mechanism does not provide any support for mediation between urgency and

stakeholders' salience. It is found that stakeholders' attributes of power and legitimacy positively and significantly caused ethical climate, whereas urgency does not so, as urgency is based on the time sensitive which have no any such relation with the ethical climate. While, stakeholders who are able to possess some attributes are normally on the basis of their timely inputs to that organization and as the response the members of that organization also feels it ethical obligation to give more importance to those stakeholders. In line with these arguments it is argued that in this way the organizational members are actually developing an ethical climate within that organization. It is also found that ethical climate increases stakeholders' salience. When there is ethical climate in an organization, thus each member of such organization is influenced by this climate and always gives fair preference to the claims of such stakeholders who are key for that organization.

The results proved the buffering role of ethical leadership between stakeholders' attributes of power & legitimacy and ethical climate. The results showed that high ethical leadership strengthens the positive relationship of stakeholders' attributes of power & legitimacy and ethical climate. It is contended that high level of ethical leadership affects more strongly to ethicality of an organization then this correspondence for moral conduct of a leader adds to create strong ethical climate.

5.2 Implications

The findings of this study have made three very important theoretical contributions in the expanding body of literature. Firstly, it provides an empirical support for the positive relationship between stakeholders' attributes and stakeholders' salience in eastern setting for the first time. These findings are aligned with the findings of previous studies conducted in western setting (Agle et al., 1999; Mitchell et al., 1997). Secondly, this study identified a mediating mechanism between the relationship of stakeholders' attributes of power & legitimacy and stakeholders' salience. Ethical climate proves a useful mediating mechanism between this positive association of stakeholders' attributes of power & legitimacy and stakeholders'

saliency. So this study bridges the literature gap by identifying a mechanism between stakeholders' attributes (power & legitimacy) and stakeholders' saliency. Thirdly, we identified moderating role of ethical leadership between stakeholders' attributes of power & legitimacy and ethical climate. This sets up that when the conduct of leader is moral, it may prompt all the more ethically engaged exchange relationship between a leader and the climate of an organization.

This research has some useful ramifications for the organization. Specifically to those individuals within organizations who are responsible for assessing and developing an ethical organizational climate. This research mirrors a progressing wrangle in both scholastic and practitioner literature in regards to a move in objectives for corporate ethics and consistence programs (Fort, Hess, & McWhorter, 2006). This move in objectives has played out in changes in the lawful prerequisites for corporate ethics and consistence programs.

This study suggests to the managers as well as the organizations that the key stakeholders are very vital for the success of the organizations, as they provide the timely inputs to the organizations which ultimately leads towards the success of the organizations. So they should be given fair treatment. For examples, the employees of an organization put forward their best efforts for the success of the business, so the organizations should also put forward the best efforts for the prosperity of their employees and as well as other stakeholders.

5.3 Limitations

The study offered some useful theoretical as well as practical implications beside that it has some limitations in future studies these limitation can be addressed. We approached the employees and managers of few organizations only for collection of data which might be a hurdle for generalizability of the results across various industries. In future research data may also be collected from other industries as well. Secondly, due to time and resources constraints, we collected data at one only. So it is logical to consider that some of the situational factors at the time

of data collection may bias the responses. Thus in future data should also be collected in different time lags.

5.4 Future Research Directions

In the present study we have introduced ethical leadership as one of the managerial values as moderator in the relationship of stakeholder salience and ethical climate suggested by (Parent & Deephouse, 2007), in future studies some other values of manager can be used as moderating variables in this relationship. While, we have used ethical climate as mediating mechanism in attributes-salience relationship some other variables can be used as mediating mechanism in this relationship.

5.5 Conclusion

This study seeks to explore the association between stakeholder attributes and stakeholder salience a step ahead by introducing the mediating mechanism of ethical climate. Ethical climate of an organization effect the social moves organizations make toward different groups of stakeholders. In the literature of stakeholder attributes-salience relationship very few studies found of discussing ethical aspects to this relationship. Extraordinarily, there are just couples of cases of empirical examinations investigating the effect of ethical climate and organizational conduct towards stakeholders.

Moreover, academic stakeholders' examinations have currently swung to a thought of the many components that can advance or repress commonly helpful firm-stakeholders connections from the point of view of both the firm and the stakeholders. While numerous scholars have proposed that organizational climates can be a huge factor to create and advance of organizational stakeholders connections, the empirical test led in this study starts to reveal insight into the way of the effect of this element on the relationship.

We also empirically tested the influence of ethical leadership to develop the ethical climate of the organization. It is found that ethical leadership is important for

the development of ethical climate so it help to build strong stakeholder attributes salience relationship.

To conclude it was suggested that ethical climate is important to build a strong stakeholder attributes of power and legitimate with stakeholder salience relationship while there is no mediation of ethical climate in the relationship of stakeholder attribute of urgency to stakeholder salience relationship. For the formation of ethical climate of the organization it is important to foster the ethical leadership so it helps the organizational leaders to give salience to different stakeholder groups on equality basis.

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Appendix

Questionnaire

Dear Respondent,

My name is Nisar Ali. As a MS research scholar at Mohammad Ali Jinnah University, Islamabad, I am collecting data for my Thesis. It will take your 15-20 minutes to answer the questions and to providing the valuable information. I assure you that data will be strictly kept confidential and will only be used for academic purposes. To ensure anonymity, you are not supposed to write your name or name of organization anywhere in the questionnaire. Thanks a lot for your help and support!

Sincerely,

Nisar Ali

MS (HRM) Research Scholar

SECTION 1

	1	2
Gender	Male	Female

	1	2	3	4	5
Age	18-25	26-33	34-41	42-49	50 and above

	1	2	3	4	5
Qualification	Matric	Inter	Bachelor	Master	MS/PhD

	1	2	3	4	5
Experience	1-5	6-10	11-15	16-20	21 and above

SECTION 2: Respond to the following statements keeping in mind the most important stakeholder of your organization. Indicate the extent of your agreement & disagreement by ticking the options against particular statements which you're following at workplace by appropriate number. **1 = Strongly Disagree, 2 = Disagree, 3 = Neither Agree/Nor Disagree, 4 = Agree, 5 = Strongly Agree**

1	This stakeholder group was highly salient to our organization (definition: received high priority from our management team).	1	2	3	4	5
2	This group received a high degree of time and attention from our management team.	1	2	3	4	5
3	Satisfying the claims of this group was important to our management team.	1	2	3	4	5

SECTION 3: Respond to the following statements keeping in mind the most important stakeholder of your organization. Indicate the extent of your agreement & disagreement by ticking the options against particular statements by appropriate number. **1 = Strongly Disagree, 2 = Disagree, 3 = Neither Agree/Nor Disagree, 4 = Agree, 5 = Strongly Agree**

Power

1	This stakeholder group had power, whether used or not (definition: the ability to apply a high level of direct economic reward or punishment [money, goods, services, etc.] and/or coercive or physical force [gun, lock, sabotage, etc.. including access to legal processes that can invoke the use of physical force] and/or positive or negative social influence [on reputation, prestige, etc. through media, etc. (to obtain its will)]).	1	2	3	4	5
2	This stakeholder group had access to, influence on. or the ability to impact our firm, whether used or not.	1	2	3	4	5

3	This stakeholder group had the power to enforce its claims.	1	2	3	4	5
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Legitimacy

1	This stakeholder group exhibited urgency in its relationship with our firm [definition: active in pursuing claims-demands or desires-which it felt were important).	1	2	3	4	5
2	This stakeholder group actively sought the attention of our management team.	1	2	3	4	5
3	This stakeholder group urgently communicated its claims to our firm.	1	2	3	4	5

Urgency

1	The claims of this particular stakeholder group were viewed by our management team as legitimate (definition; proper or appropriate).	1	2	3	4	5
2	Our management team believes that the claims of this stakeholder group were not proper or appropriate.	1	2	3	4	5
3	The claims of this group were legitimate in the eyes of our management team.	1	2	3	4	5

SECTION 4: Indicate the extent of your agreement & disagreement by ticking the options against particular statements which you're following at workplace by appropriate number. **1 = Strongly Disagree, 2 = Disagree, 3 = Neither Agree/Nor Disagree, 4 = Agree, 5 = Strongly Agree**

1	My Leader Conducts h/h personal life in an ethical manner.	1	2	3	4	5
2	My Leader Defines success not just by results but also the way that they are obtained.	1	2	3	4	5

3	My Leader Listens to what employees have to say.	1	2	3	4	5
4	My Leader Disciplines employees who violate ethical standards.	1	2	3	4	5
5	My Leader Makes fair and balanced decisions.	1	2	3	4	5
6	My Leader Can be trusted.	1	2	3	4	5
7	My Leader Discusses business ethics or values with employees.	1	2	3	4	5
8	My Leader Sets an example of how to do things the right way in terms of ethics.	1	2	3	4	5
9	My Leader Has the best interests of employees in mind.	1	2	3	4	5
10	My Leader When making decisions, asks “what is the right thing to do”?	1	2	3	4	5

SECTION 5: For each item of the statements below, please indicate the extent of your agreement & disagreement by ticking the options against particular statements by appropriate number. **1 = Strongly Disagree, 2 = Disagree, 3 = Neither Agree/Nor Disagree, 4 = Agree, 5 = Strongly Agree**

1	In the company, people are expected to comply with the law and professional standards over and above other considerations.	1	2	3	4	5
2	In this company, the law or ethical code of their profession is the major consideration.	1	2	3	4	5
3	In this company, people are expected to strictly follow legal or professional standards.	1	2	3	4	5
4	In this company, it is very important to follow the company’s rules and procedures.	1	2	3	4	5
5	People in this company strictly obey the company policies.	1	2	3	4	5