



The Mediating Role of Employee Perception Toward the Relationship Between Organizational Climate and Ethical Decision-Making

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DOI: <https://doi.org/10.51583/IJLTEMAS.2026.150800065>

Received: 27 August 2026; Accepted: 01 September 2026; Published: 12 September 2026

ABSTRACT

Organizational climate significantly influences ethical decision-making by embedding shared norms, value systems, and behavioral expectations within the workplace. This study investigates the mediating role of employees' perception between organizational climate and ethical decision-making. Using a quantitative design and stratified random sampling of restaurant employees, data were collected from 266 restaurant employees in Davao City. The study employed hierarchical regression and mediation analysis to examine the direct effects of organizational climate on ethical decision-making and the indirect effects through employee perception in explaining the strength and direction of the relationship. The results showed that employees expressed satisfaction with both the physical and psychosocial dimensions of the organizational climate. This is a novel finding which presents climate to include both physical climate like comfort, cleanliness, safety; alongside non-physical climate such as communication, trust, teamwork, as opposed to mainly ethical tone, leadership, or fairness. It necessitates a supportive work environment. The results of the mediation analysis confirmed the Ethical Climate Theory that organizational climate has a direct effect on employee perception, contributing to ethical decision-making processes. However, in terms of the Social Cognitive Theory, the result of the non-significant mediating role of employee perception suggests that the cognitive pathway proposed by the theory does not fully operate in a highly structured environment. Instead, ethical decision-making appears to be directly shaped by the organizational environment in the form of formal rules, standardized procedures, and supervisory enforcement. It advances understanding of organizational ethics by reinforcing the strategic importance of cultivating transparent, supportive, and integrity-driven workplaces.

Keywords: Ethical Climate Theory, Ethical Decision-Making, Employee Perception, Organizational Climate, SDG8

INTRODUCTION

Ethical integrity remains a defining pillar of sustainable organizational success, particularly in emerging economies where institutions continuously evolve amid complex governance and competitive pressures. In the Philippine context, reports of employee misconduct, including corruption and bribery (Hechanova & Manaois, 2020), immoral workplace practices (Santos et al., 2020), and organizational tolerance of unethical behavior (Aumentado et al., 2024), which underscore the persistent need to strengthen ethical infrastructures within firms. While such challenges pose risks to profitability, corporate culture, and regulatory compliance, they also illuminate critical areas for institutional reform and leadership intervention. Empirical evidence demonstrates that unethical practices can result in financial losses (Jemmy, 2024), reputational damage and erosion of goodwill (Yue et al., 2024), and regulatory violations (David, 2022). It thereby affects both short-term performance and long-term organizational legitimacy. Rather than framing these realities solely as systemic weaknesses, they may be viewed as strategic inflection points, opportunities for organizations to cultivate ethical competence, reinforce governance mechanisms, and embed principled decision-making within their operational culture. Consequently, enhancing employees' capacity for ethical reasoning and responsible conduct emerges not merely as a compliance requirement but as a strategic imperative for organizational resilience and sustainable growth.



Employee ethical decision-making does not exist in a fixed national context, but instead, it is one of the universal organizational issues that are not limited by a single national or geographical boundary. According to the empirical findings in Europe, the importance of employee whistleblowing systems cannot be overestimated as they help uncover employee wrongdoings and hold them accountable (Cheliatsidou et al., 2023). In the same manner, Russ-Eft and Burton (2024) highlight that unethical practices in workplaces in both North America and Europe are usually the result of intricate relationships between the personal dispositions, organizational pressures, and cultural customs, which implies that ethical vulnerabilities can be widespread in institutions where protective measures are weak. Tian et al. (2024) support this with the example that situational and contextual regulation in Mainland China and Hong Kong is largely influential on ethical judgments of employees, and misconduct is also becoming an organizational result, not just an individual failure. All this suggests that unethical conduct is a transnational business issue, and there is a need to have context-sensitive, but internationally based ethical systems that promote institutional integrity in varied societies.

The moral judgment of employees is a competitive factor of integrity and reputation of the organization, as well as its sustainability in the long term. Companies that develop rational thinking and principles of ethical behavior enhance stakeholder confidence, assure the institutional legitimacy, as well as mitigate the risks of malpractice and violation of compliance (Banks et al., 2022). Ethical employees are ones who are always guided by organizational values and goals, which enhances credibility and stability of operations. Here, it is essential to know about the structural and psychological circumstances under which ethical decision-making is conditioned. In this work, the organizational climate was taken as an independent variable and conceptualized using the indicators of employee engagement, job satisfaction, and leadership style, whereas employee perception, which is expressed in the perceived organizational support, fairness, and work-life balance, was chosen as a mediating variable between the climate and ethical decision-making outcomes.

The organizational climate has a significant impact on employee motivation, performance, and the standards of their behavior (Hussainy, 2022). In contrast to organizational culture, which indicates deeply ingrained norms, climate is the representation of the overall perception of employees towards policies, practices, and procedures and, hence, is more dynamic and reactive to situational changes (Obeng et al., 2021; Ehrhart and Schneider, 2016). Just, open, and non-critical environments lead to trust, commitment, and moral responsibility, and the unpredictable or un-stable policies can destroy morale and undermine the moral determination. It is empirically proved that positive work environments increase engagement and innovation (Abun et al., 2021; Rožman and Štrukelj, 2020), collaborative trust (Hubert et al., 2021), and human resource outcomes. These results support the significant role of organizational climate as a structural state that influences the moral awareness and behavioral decision of employees.

Employee perception is an essential interpretive filter on the basis of which organizational climate is put into practice. It indicates employee reviews on management practices, fairness, support, privacy, monitoring, and interpersonal relationships (Jahagirdar and Bankar, 2020; Wang and Wang, 2020). Positive perceptions lead to engagement, productivity and ethical responsiveness on the other hand negative perceptions lead to withdrawal behaviors, disengagement and stress. Feeling the organizational support and recognition, employees become more inclined to meet the commitment, innovation, and principled behavior (Bos-Nehles et al., 2017; Oubibi et al., 2022). Notably, the role of employee perception mediates the role of climate by either increasing or decreasing its effect on ethical decision-making. Therefore, the way in which employees make sense of the working environment is the key to the explanation of the moral actions in organizations.

The idea of ethical decision-making as defined in the current research, is capable of making choices and evaluating them within the context of moral principles, especially in difficult or controversial circumstances (Chen et al., 2021). Such decisions are greatly influenced by ethical sensitivity, leadership modeling and institutional frameworks. Leaders who are ethically sound and show consistency, justice, and care to the stakeholders impact the value alignment and moral judgment of employees (Banks et al., 2022). In addition, other influencing factors of ethical reasoning are emotional reactions, perceived expenses, stress, and situational strains (Abarquez et al., 2021). Principles of action are sponsored by ethical climates that facilitate accountability,



transparency, and justice, but they are destabilized by weak ethical infrastructures that make people susceptible to misconduct.

THEORETICAL FOUNDATION.

The theoretical foundation of this research rests on the Ethical Climate Theory (Victor and Cullen, 1988). The theory emerged from the broader ethical organizational climate by Kohlberg's moral development theory. The theory assumes that since organizations as a system develop its own norms including values and rules that guides employee behavior, then the theory assumes that it is normative that employees know what is right and wrong, create acceptable criteria that governs work, and operational conduct. In this context, ethical decision-making therefore is not purely individual choice but also socially embedded.

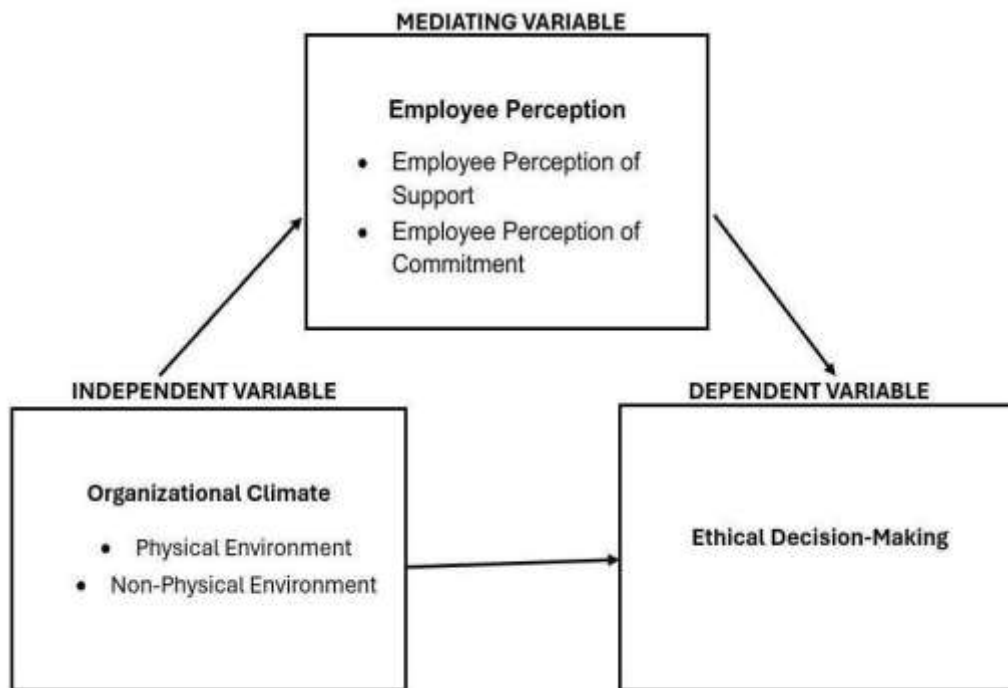
The second assumption of the theory is related to how employees rely on common organizational ethical criteria when making decisions. According to the authors, sometimes decisions are based on self-interest or organizational profit, sometimes decisions are based on concern for the collective welfare, and sometimes decisions are guided by laws, codes, and formal rules. These criteria operate across three loci of analysis, namely individual, organizational, or societal. The intersection of the criteria and the locus of analysis forms distinct ethical climate types. Moreover, ethical climate influences ethical judgment, formal rules, leadership example, and enforcement mechanisms; they reinforce shared expectations. Employees conform to dominant climate norms to reduce uncertainty. Therefore, the theory assumes ethical decision-making is strongly institutionalized. As an application, the theory offers a structural viewpoint that bridges the gap between leadership, policy structures, and cultural standards and moral reasoning and behavior (Schwepker, 2001).

The study is also anchored on the Social Cognitive Theory lens (Bandura, 1987). It was developed by Albert Bandura in the late 1970s and has evolved beyond behaviorist explanations by incorporating cognitive, environmental, and behavioral determinants of human functioning. The author proposed that human behavior is a result of the dynamic interaction among personal cognitive factors, environmental influences, and behavioral patterns commonly called triadic reciprocal determinism.

The theory also proposes that individuals learn appropriate behavior by observing leaders, supervisors, peers, and institutional reward systems. Such that if an ethical behavior is modeled and reinforced, then employees internalize those standards. The author likewise proposes that ethical decision-making among employees involves an internal self-regulatory process. Moreover, employees with high moral self-efficacy are believed to act ethically even under pressure. Vice versa, low efficacy may result in ethical disengagement. More importantly, the author believes that environmental stimuli influence employee behavior through cognitive interpretation, following the progression which is environment factors influence perception/cognition, which in turn influences behavior.

Research Gap. The research can help achieve global development goals, specifically, UN SDG 16 on peace, justice, and strong institutions, and SDG 8 on decent work and economic growth. The study offers evidence-based findings to help create clear, responsible, and inclusive working environments and the impact of the organizational climate and employee perception on ethical decision-making. Ethical climates enhance institutional trust, good working conditions, well-being of employees, and long-term economic productivity. By doing so, the research places ethical organizational environments as compliance as well as strategic sources of institutional resilience and sustainable development..

Figure 1 Conceptual Framework



Conceptual Framework. The present conceptual framework comprises three core constructs: organizational climate, employee perception, and employee ethical decision-making. Organizational climate is positioned as the independent variable, ethical decision-making as the dependent variable, and employee perception as the mediating mechanism that explains how and why climate influences ethical behavior. The framework proposes that employees do not respond directly to structural conditions alone; rather, they interpret, internalize, and cognitively process these conditions, and such interpretations ultimately shape their ethical choices.

Organizational climate refers to employees' shared perceptions of organizational policies, practices, leadership behaviors, and normative standards that collectively define the ethical environment of the workplace. It encompasses values, fairness norms, transparency practices, accountability systems, and leadership integrity. A principled and rule-based climate encourages ethical conduct by reinforcing fairness, responsibility, and respect, whereas a weak or self-interest-driven climate may normalize shortcuts, ambiguity, or opportunistic behavior. Prior research indicates that unsupportive climates undermine psychological safety, reduce confidence, and weaken ethical resolve (Tan et al., 2020). Thus, organizational climate establishes the structural and normative foundation from which ethical decision-making emerges.

Employee ethical decision-making, the dependent variable, refers to the cognitive and evaluative process through which employees assess alternatives and select actions consistent with moral standards and organizational principles. Ethical choices are influenced not only by formal rules but also by employees' interpretations of how those rules are implemented and rewarded in practice. The framework therefore posits that both the objective features of the organizational climate and employees' subjective interpretations of that climate jointly shape moral reasoning and behavioral outcomes.

Employee perception functions as the mediating variable that translates organizational climate into ethical action. It reflects employees' subjective evaluations of fairness, support, recognition, leadership sincerity, and ethical seriousness within the organization. Perceptions determine whether employees view policies as genuine commitments or merely symbolic statements. When organizational climate is perceived as ethical, supportive, and consistent, employees are more likely to internalize moral norms and demonstrate principled decision-making. Conversely, when the climate is perceived as indifferent or ethically ambiguous, the likelihood of rationalizing unethical conduct increases. As Wang and Wang (2020) emphasize, workplace experiences are fundamentally shaped by employee perceptions, which significantly influence both individual performance and



broader organizational outcomes. Perceptions are therefore not merely personal sentiments but cognitive mechanisms that mediate behavioral responses.

Research Objectives. The study aimed to examine the structural relationships among the variables, including organizational climate, employee perception, and ethical decision-making of the restaurant sector in Davao City. More specifically, the study determined the extent to which organizational climate influences ethical decision-making among employees and the degree to which organizational climate shapes employee perception. In addition, it investigated whether employee perception significantly influences ethical decision-making. Most importantly, the research intends to evaluate the mediating role of employee perception in the relationship between organizational climate and ethical decision-making, thereby determining whether ethical behavior is formed primarily through cognitive interpretation or directly through institutional environmental mechanisms. These objectives helped in contributing to the theoretical understanding of ethical behavior formation in structured organizational contexts and provided empirical evidence on the dynamics of climate, perception, and moral decision-making in service-oriented environments.

Hypothesis. This study tested the null hypothesis that organizational climate has no statistically significant influence on ethical decision-making among employees in the restaurant sector. It also assumes that organizational climate does not significantly affect employee perception. Moreover, the study likewise assumes that employee perception has no significant effect on ethical decision-making. Finally, it is hypothesized under the null condition that employee perception does not significantly mediate the relationship between organizational climate and ethical decision-making.

METHODOLOGY

This study employed a quantitative, descriptive–correlational research design to systematically examine the relationships among organizational climate, employee perception, and ethical decision-making. A quantitative approach is appropriate when testing theoretically grounded relationships and examining predictive and mediating effects among variables using statistical procedures (Creswell & Creswell, 2018). The descriptive component enabled the researchers to summarize the characteristics and levels of the key constructs, while the correlational design assessed the direction and strength of associations among them without manipulating conditions (Babbie, 2021). Furthermore, mediation analysis using regression procedures was conducted to determine whether employee perception functions as an intervening mechanism in the relationship between organizational climate and ethical decision-making, consistent with established mediation testing frameworks (Baron & Kenny, 1986; Hayes, 2018). This methodological approach ensured empirical rigor in validating the proposed conceptual framework grounded in Ethical Climate Theory and Social Cognitive Theory.

The participants of this study were restaurant employees from Barangay Poblacion District, Davao City. To ensure the validity and relevance of the data, only current employees with at least three months of tenure in their respective establishments were included to guarantee adequate exposure to the prevailing organizational climate and ethical decision-making processes within their workplaces. The list of restaurants was provided by the Business Bureau of the local government unit, while the specific persons who participated were identified by the store managers who were oriented of the inclusion and exclusion criteria. Both full-time and part-time employees aged 18 years and above were eligible to participate. The sample encompassed a broad range of service and kitchen personnel, including servers, cashiers, hosts/hostesses, chefs, cooks, and dishwashers, allowing for a comprehensive representation of frontline and back-of-house operations. Stratified random sampling was employed to ensure proportional representation across restaurant categories, including fast food, casual dining, and fine dining establishments. Using Slovin's formula to determine an appropriate sample size, a minimum of 266 respondents were identified to achieve statistical reliability and representativeness. Demographic information, such as age and gender were collected to provide contextual insights and allow for a more nuanced analysis of the mediating role of employee perception in the relationship between organizational climate and ethical decision-making.



This study utilized modified, structured questionnaires (SQ) to measure three core constructs: Organizational Climate, Employee Perception, and Ethical Decision-Making. The instrument was designed to capture the mediating role of employee perception in linking organizational climate to ethical decision-making outcomes within the restaurant sector. Organizational climate was assessed through both physical and non-physical dimensions, while employee perception measured perceived support and commitment, and ethical decision-making captured respondents' adherence to moral standards and principled workplace conduct. All items were measured using a five-point Likert scale ranging from 1 (Very Low) to 5 (Very High), enabling standardized quantitative analysis and interpretation based on computed mean ranges. The SQ was subjected to expert validation before use, and a Cronbach's alpha score of 0.82, which indicates good internal consistency. The composite reliability is .76, while the Average Variance Extracted is .67.

The statistical tools used in this study include descriptive component which provided a systematic summary of the levels and characteristics of each construct, while the correlational component examines the direction and strength of relationships among the variables without manipulation of the organizational setting. Initial analysis involved computing descriptive statistics, including frequency distributions, means, and standard deviations, to establish baseline patterns and variability in responses. Pearson's *r* correlation analysis was computed to determine the strength and statistical significance of relationships among organizational climate, employee perception, and ethical decision-making. Simple regression analysis was subsequently performed to assess whether organizational climate significantly predicts ethical decision-making. Finally, mediation analysis using regression procedures was conducted to determine whether employee perception functions as an intervening mechanism explaining the relationship between organizational climate and ethical decision-making. This systematic analytical approach ensured rigorous testing of both direct and indirect effects within the proposed model while maintaining methodological coherence and empirical robustness. Version 25 SPSS was utilized for the data processing of the results.

RESULTS AND DISCUSSION

The study's respondents' demographics point to a young, reasonably gender-balanced workforce. The sample was slightly male-dominated, with 158 (59.4 percent) of the 266 participants, and 108 (40.6 percent) being women. The respondents' ages ranged from 18 to 53, but most were in the younger age range of 21 to 25 years old. This data suggests that most participants were early in their careers and may perceive the organizational climate in a different light and/or approach ethical decision-making in a different way. The fewer numbers of respondents in the older age brackets simply mean there were fewer senior or long-tenured employees in this sample, which conveys that there is a workforce surge by young employees who may still be developing their values and adapting to the norms of the workplace. Altogether, the demographics show a young and active employee pool that is useful to understand the mediating variable of employee perception in relation to organizational climate and ethical decision-making.

Table 1 Descriptive Statistics of Organizational Climate

Indicators	Mean	SD	Interpretation
Physical Climate	4.18	0.55	High
Non-physical Climate	4.09	0.62	High
Overall	4.14	0.54	High

Table 1 presents the results of the descriptive statistics on organizational climate. Overall, the mean was 4.14 with a standard deviation (SD) of 0.54 to be interpreted as "high." The results suggest that both the physical climate ($M = 4.18$, $SD = 0.55$) and non-physical climate ($M = 4.09$, $SD = 0.62$) were evaluated to be "high." Consequently, employees saw their work climate as positive, supportive, and well-managed. The high mean for physical climate reflects satisfaction with physical features, such as comfort and cleanliness in the workspace and safety. The high overall mean score on non-physical climate reflects employee attitudes on matters of psychological and social provisions such as communication, trust, and collaboration. The low variability in



responses shows that employees' experiences are shared and that, as a result, the perceptions are stable and represent a positive and healthy organizational climate.

This finding aligns with the results of the study by Nguyen and Le (2024) where it was revealed that a positive organizational climate has a positive effect on employee engagement and satisfaction, as well as ethics, both physically and psychosocially. Schneider et al. (2017) also concluded that organizational climates also provide employees with a reference point for employees' attitudes and choices since employees typically tend to perceive organizational values and norms through the lens of the organizational climate. This way, high overall mean values indicate that the organization is cultivating a climate of well-being, working together, and ethical behavior, which will likely foster employee morale and productivity.

Table 2 Descriptive Statistics of Ethical Decision-Making

Indicators	Mean	SD	Interpretation
Ethical Decision-Making (ethical ave)	4.5	0.39	Very High
Overall	4.14	0.39	Very High

Table 2 illustrates the descriptive statistics about the ethical decision-making level of the participants. The results of the mean score ($M = 4.50$, $SD = 0.39$), This rating is considered "Very High," which indicates that employees regularly act in accordance with ethical standards and principles. In conclusion, the respondents are principled in making their decisions when it comes to their moral conduct, responsibility, and fairness, among other values. Further, the low standard deviation means that the entire group of respondents is equally ethically aware and equally ethical in terms of decision-making, meaning that a certain ethical climate among the employees in the organization exists. When employees exhibit a strong ethical climate, it is a sign that the organization's leadership and policies can promote moral behavior when making decisions within an organizational setting.

This finding was also reinforced by Victor and Cullen (1988) who suggested that ethical workplaces affect moral motivations and behavior. Lee S.H., Ha-Brookshire J. (2024) agreed with these findings. They discovered that it is an ethical climate in organizations that resulted in positive employee outcomes, including a high degree of trust, satisfaction, and moral behavior in difficult decisions. The results revealed that employees who view their work environment to be ethical and supportive were more likely to demonstrate a considerable level of moral responsibility in their thinking and behavior. Therefore, it can be concluded that the very high ethical decision-making behavior of the respondents suggests that the organization has been effective in establishing a culture that encourages its employees to engage in moral and ethical decision-making behavior.

Table 3 Descriptive Statistics of Employee Perception

Indicators	Mean	SD	Interpretation
Employee Perception on Support	3.95	0.65	High
Employee Perception on Commitment	4.04	0.65	High
Overall	3.99	0.61	High

Table 3 presents descriptive statistics for employee perception; the mean was 3.99, with a standard deviation of 0.61, known as meaning "high." This means that employees have a positive perception of the organization, especially concerning support ($M = 3.95$, $SD = 0.65$) and commitment ($M = 4.04$, $SD = 0.65$), meaning employees realized value in their role in the organization, feel they are supported by the organization, and feel a sense of belonging, commitment, and loyalty to the organization. Further, the variabilities in employee responses were moderately lower, as indicated by standard deviation, meaning there was more agreement among employee responses, further suggesting the employees reached an agreement, consensus, or collective, shared belief in a positive impression about organizational social commitment to employee support and treatment of employees.

This result corresponds with recent research by Zhou et al. (2025), which showed that organizational support for employees has a positive effect on employee well-being, improves perceptions of the organization, and eventually increases employee trust and motivation. Furthermore, Eisenberger et al. (2016) offered proof that encouraging employees' emotional attachment and commitment is crucial for guaranteeing ethical and productive work behavior. Consequently, the studies on positive employee perceptions demonstrate that the business is successfully building a positive working environment that improves relations of trust with the personnel and promotes moral and professional engagement. The results provided in Table 4 show that both variables are strongly positively correlated, which proves that there are important relationships between organizational climate, employee perception, and ethical decision-making. The null hypothesis (H_0) stating that no relationship between the variables was significant was rejected since the p-value (0.000) of the relationships between the variables was less than the 0.01 level of significance.

Correlation of Variables. The findings revealed a weak but statistically significant positive relationship between employee perception and ethical decision-making ($r = .252$, $p < .001$). The result indicates that as employees' perceptions become more favorable, the employees' ethical decision-making tends to improve; however, the strength of this association is relatively small. It means that while employee perception is significantly associated with ethical decision-making, it may not be a strong determinant on its own, suggesting that other organizational and individual factors may also contribute substantially to employees' ethical decisions.

Table 4 Significant Relationship of the Variables

Variable	Coefficient	p-value	Decision on H_0
Ethical Decision-Making → Employee Perception	0.252	0.000**	Reject
Ethical Decision-Making → Organizational Climate	0.266	0.000**	Reject
Employee Perception → Organizational Climate	0.799	0.000**	Reject

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

The results likewise revealed a weak but statistically significant positive relationship between organizational climate and ethical decision-making ($r = .266$, $p < .001$). The said finding indicates that a more favorable organizational climate tends to be associated with better ethical decision-making among employees. However, the relatively low correlation coefficient is suggesting that the relationship is modest, meaning that organizational climate alone may not strongly account for differences in employees' ethical decision-making. Other individual, organizational, and situational factors may also play important roles in shaping ethical decisions. Since the relationship is statistically significant, the null hypothesis stating that there is no significant relationship between organizational climate and ethical decision-making is rejected.

Additionally, the findings revealed a strong and statistically significant positive relationship between organizational climate and ethical decision-making ($r = .799$, $p < .001$). This indicates that employees who perceive a more favorable organizational climate also tend to demonstrate higher levels of ethical decision-making. The strong positive correlation suggests that improvements in the organizational environment, such as supportive leadership, clear organizational expectations, fairness, communication, and ethical norms, are closely associated with employees' tendency to make ethical decisions. Since the relationship is statistically significant, the null hypothesis stating that there is no significant relationship between organizational climate and ethical decision-making is rejected. However, the finding represents an association and should not, by itself, be interpreted as evidence that organizational climate directly causes ethical decision-making.

Regression Analysis. The regression results presented in Table 5 reveal that organizational climate has a strong and statistically significant effect on employee perception. The model summary shows an R-value of .7868, signifying a high positive correlation between organizational climate and employee perception. The coefficient of determination ($R^2 = .6190$) indicates that 61.9 percent of the variance in employee perception can be explained by the organizational climate, while the remaining 38.1 percent may be attributed to other factors not included in the model. The model's F-value ($F = 428.9922$, $p = .000$) shows that the overall regression is very significant, which means that the model fits the data well.



Table 5 The Effects of Organizational Climate on the Mediator Employee Perception

	R	R ²	MSE	F	df1	df2
Model Summary	0.7868	0.619	0.1435	428.992	1	264

	β	Se	T	p	LLCI	ULCI
Constant	0.3111	0.1793	1.735	0.0839	-0.0419	0.6641
Organizational Climate	0.8897	0.043	20.712	0.000	0.8051	0.9743

Outcome Variable: Employee perception

Moreover, a strong positive and significant effect is implied by the organizational climate regression coefficient ($\beta=.8897$, $t=20.7121$, $p=0.000$). This indicates that, when all other variables are held constant, employee perception rises by roughly 0.89 units for every unit increase in organizational climate. Conversely, the constant term ($\beta=.3111$, $p=.0839$) is not statistically significant, suggesting that the expected employee perception stays low and lacks independent significance when organizational climate is neutral or absent.

These results imply that how employees view their workplace is largely dependent on the organizational climate, which is characterized by common views of rules, procedures, leadership conduct, and communication styles. Employee engagement, fairness, and a sense of belonging are all improved by an ethical and encouraging work environment, which also improves employees' opinions of the company as a whole.

This outcome is in line with the findings of Nguyen and Le (2024), who showed that employees' perceptions and attitudes about a positive workplace climate have a significant impact on their motivation, performance, and level of satisfaction. In a similar vein, Schneider et al. (2017) stressed that since employees' interpretations of management behavior and organizational justice are based on shared experiences within the workplace, employee perceptions are reflections of the organization's climate.

The regression results demonstrating the combined effects of employee perception and organizational climate on moral decision-making are shown in Table 6. A weak but positive relationship between the predictors and ethical decision-making is suggested by the model's multiple correlation coefficient ($R=.2629$). Only 6.91 percent of the variance in ethical decision-making can be explained by organizational climate and employee perception, according to the R^2 value of .0691. The remaining 93.09 percent may be due to other unmeasured factors. Despite the small explained variance, the overall model is statistically significant ($F=9.7648$, $p=.0001$), indicating that the predictors, when combined, significantly influence ethical decision-making.

Mediation Analysis

The coefficients reviewed indicate that organizational climate exhibits a significant positive effect ($B=.1411$, $t=2.0897$, $p=.0376$), indicating that employees' ethical decision-making is greatly improved by a positive organizational climate that is marked by fairness, transparency, and ethical standards. However, employee perception ($B=.0453$, $t=.7593$, $p=.4484$) does not significantly predict ethical decision-making, suggesting that although favorable climate conditions may improve employees' perceptions of their surroundings, these perceptions do not directly affect moral judgment or ethical behavior.

Table 6 The Effects of Both Organizational Climate and Employee Perception of Ethical Decision-Making

	R	R ²	MSE	F	df1	df2
Model Summary	0.2629	0.0691	0.1351	9.7648	2	263
	β	Se	T	p	LLCI	ULCI
Constant	3.7426	0.1749	21.396	0.000	3.3982	4.087



Organizational Climate	0.1411	0.0675	2.0897	0.0376	0.0081	0.274
Employee Perception	0.0453	0.0597	0.7593	0.4484	-0.0722	0.1629

The idea put forth by Victor and Cullen (1988) that an organization's ethical climate acts as a shared psychological framework that directs workers' moral reasoning and ethical decisions is supported by the substantial impact of organizational climate. Even without a heavy reliance on subjective interpretation or perception, employees are more likely to make ethical decisions in settings where ethical norms are institutionalized through leadership and policies.

On the other hand, employee perception's non-significant result ($p = .4484$) implies that although workers may have a favorable opinion of their company, this does not always translate into moral decision-making. This result is consistent with Chen et al. (2021), who noted that moral sensitivity and perception do not always result in moral behavior unless they are reinforced by organizational norms and ethical mechanisms.

Furthermore, Nguyen and Le (2024) and Obeng et al. (2021) point out that a positive workplace culture directly influences employee outcomes, including moral decisions, without necessarily going via intermediaries like attitude or perception. As a result, ethical decision-making is primarily influenced by the culture and climate of the organization.

The findings of the mediation analysis investigating whether employee perception mediates the connection between ethical decision-making and organizational climate are shown in Table 7. Organizational climate has a positive and statistically significant direct impact on ethical decision-making (Effect = .1411, SE = .0675, $t = 2.0897$, $p = .0376$), with a 95 percent confidence interval between .0081 and .2740. The result demonstrates that organizational climate directly and significantly affects ethical decision-making because the p -value is less than .05 and the confidence interval does not include zero.

However, because the bootstrapped confidence interval (BootLLCI = $-.0787$ to BootULCI = .1536) includes zero, the indirect effect of organizational climate on ethical decision-making through employee perception (Effect = .0403, BootSE = .0585) is not significant. This means that employee perception does not mediate the relationship between organizational climate and ethical decision-making. The findings indicate that organizational climate has a direct influence on ethical decision-making, independent of employee perception. Employees' ethical judgments and actions are shaped primarily by the ethical tone and behavioral norms established within the organization rather than by their personal perceptions alone.

Table 7 Direct and Indirect Effects of Organizational Climate on Ethical Decision-Making

Y	Ethical Decision-Making
X	Organizational Climate
M	Employee Perception

Type of Effect	Effect	SE/BootSE	T	p -value	LLCI/ BootLLCI	ULCI/ BootULCI
Direct Effect (X $\rightarrow$ Y)	0.1411	0.0675	2.0897	0.0376	0.0081	0.274
Indirect Effect via Employee Perception (X – M – Y)	0.0403	0.0585	-	-	-0.0787	0.1536

This result supports the idea that the effect of organizational climate occurs through employees' perceptions, specifically that ethical decisionmaking is influenced by how employees perceive organizational norms and expectations, not the study focuses solely on the objective climate. Moreover, the study by Martin and Cullen (2006) demonstrated how an ethical climate, specifically a perception-based the ethical climate systematically



predicts both ethical and unethical behavior. Thus, ethical climate acts as a mediator through which organizational systems influence ethical decision-making.

However, in this study, there is an absence of mediation through employee perception, which implies that perception does not serve as an explanatory bridge between climate and ethical decision-making. While many authors believe there is a mediation effect, as reviewed in the literature articles, this study does not show one. This phenomenon may be explained for some reason, including the concept that frontline restaurant employees such as servers, cashiers, and crew are typically guided by explicit rules, standard operating procedures (SOPs), and direct supervision. Because expectations are clear and behavior is closely monitored, ethical decisions rely more on external climate cues than internal cognitive perceptions. In the study by Schneider, et al. (2002), the direct, strong effects of service climate on performance show that in service settings, climate impacts behavior without needing internal perceptions to mediate.

Employee perception might not have an indirect effect because restaurant work perceptions tend to be homogeneous (shared climate), which reduces the variance in “employee perception” as a separate mediator. If perception varies little, it statistically mediates nothing. This explanation is supported by the authors James et al. (2014), stating that when climate perceptions are “strong,” or with high agreement, mediation disappears because employees share the same view. In like manner, Schneider et al. (2013) found that climate strength reduces the role of individual-level perception.

Thus, in summary, the study found no indirect effect of employee perception on the relationship between organizational climate and ethical decision-making among restaurant employees in Davao City, likely because frontline service roles operate in a highly structured, rule-driven environment where employees respond directly to organizational expectations rather than through personal interpretation. Strong managerial control and well-defined standard operating procedures in these environments tend to make climate perceptions consistent, leaving little room for a mediating effect to manifest (Schneider et al., 2002; James et al., 2014). From the explanation of job design and discretion theories, the low autonomy of restaurant jobs further lessens the impact of internal perceptions on behavior (Hackman & Oldham, 1976; Brockner et al., 1996). The empirical finding that employee perception does not act as a mediator in this situation is supported by these factors.

Although employees' perceptions of their workplace are improved by a positive climate, as Table 5 illustrates, these perceptions are not enough to translate into ethical behavior, as Table 6 also demonstrates. Instead of being individually formed through perception, ethical decisions seem to be more institutionally driven, impacted by organizational policies, leadership examples, and systemic ethical culture.

CONCLUSION AND RECOMMENDATIONS

Based on the empirical findings of this study, several key conclusions are drawn. First, there exists a statistically significant and positive relationship among organizational climate, employee perception, and ethical decision-making. Thus, it confirms that these constructs are interrelated within service-oriented workplaces.

Second, employees reported very high levels of adherence to ethical standards and this finding indicates that the participating restaurants operate within a culture characterized by fairness, responsibility, integrity, and professional accountability.

Third, both organizational climate and employee perception received high descriptive ratings, reflecting employees' overall satisfaction with communication systems, leadership practices, trust, and workplace support mechanisms.

Fourth, despite the strong association between organizational climate and employee perception, mediation analysis revealed that employee perception does not significantly mediate the relationship between organizational climate and ethical decision-making. While organizational climate substantially shapes employee perception, perception does not serve as the explanatory mechanism through which ethical decisions are formed.



Fifth, the findings of the study indicate that within the structured restaurant environment of Davao City, where operations are governed by standardized procedures, close supervision, and clearly defined rules, ethical decision-making is predominantly institutionally driven rather than perception-driven. Organizational climate directly influences moral judgment and behavior through formal policies, leadership enforcement, and shared normative expectations.

Sixth, contextual cultural dynamics, particularly collectivism and respect for authority, may further strengthen the institutional impact of climate over individual cognitive interpretation. In this context, employee perception appears to function primarily as a reflection of existing organizational conditions rather than as a mediating bridge between climate and ethical behavior.

This study also provides three novel findings and the first has something to do with the theory confirmation on the part of the Ethical Climate Theory and theory expansion in the part of Social Cognitive Theory. The direct-effect pattern of the study provides empirical reinforcement of the Ethical Climate Theory. It demonstrated that a transparent, rule-based, and value-oriented organizational climate can shape ethical conduct even when individual perceptions vary.

In terms of Albert Bandura's Social Cognitive Theory, it provides a valuable lens for understanding the dynamics among organizational climate, employee perception, and ethical decision-making. The theory proposed that behavior is shaped through triadic reciprocal determinism of environmental factors, personal cognitive processes, and behavior. The findings also confirm that organizational climate influences employee perception. It implies that the results reflect the cognitive appraisal of employees in terms of fairness, leadership support, and ethical norms in the workplace context. However, the result on the non-significant mediating role of employee perception suggests that the cognitive pathway proposed by Social Cognitive Theory does not fully operate in the environment where the restaurant context is highly structured. Instead, ethical decision-making gives the impression of being directly shaped by the organizational environment. This is through formal rules, standardized procedures, and supervisory enforcement. It also indicates that in highly regulated organizational, operational settings, environmental control mechanisms may override individual cognitive mediation processes. Thus, while Social Cognitive Theory remains theoretically relevant in this study, the findings extend the theory by demonstrating that the strength of cognitive mediation is context-dependent and may diminish in environments characterized by strong institutional formalization and limited discretion.

The second novel finding is shown in the results, which suggest that in highly structured, service-oriented environments characterized by standardized procedures and close supervisory control, ethical decision-making is primarily institutionally regulated rather than cognitively mediated. Unlike many business ethics models that position employee perception as a psychological bridge between climate and behavior, this study demonstrates that organizational climate can directly shape ethical conduct without relying on individual perceptual interpretation. This indicates the presence of a "direct institutional pathway" to ethical behavior in low-autonomy work settings.

The third novel finding of the study reveals that when organizational climate is strong and uniformly perceived across employees, the mediating role of perception diminishes due to reduced variability in interpretive differences. In contexts where shared norms, expectations, and ethical standards are highly consistent, employee perception converges with climate to such an extent that it loses its explanatory independence. This provides a climate-strength explanation for the absence of mediation and contributes a methodological insight to ethical climate research.

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