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An empirical analysis of organizational ethical climate and its impact on organizational commitment in Japanese funded enterprisers doing business in China

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# **An empirical analysis of organizational ethical climate and its impact on organizational commitment in Japanese funded enterprisers doing business in China**

*Keikoh RYU<sup>1</sup>*

**Abstract:** *Insofar as human resource management (HRM) takes place within a certain organizational ethical climate, an understanding of the relationship between the two is essential for the improvement of HRM. This paper explores the impact of organizational ethical climate on organizational commitment in Japanese funded enterprises (JFEs) doing business in China's manufacturing industry.*

**Keywords:** *Organizational ethical climate; organizational commitment; organizational performance; human resource management; HRM; JFEs*

## **1. Introduction**

### **1.1. The influence of friendship-efficiency style organizational ethical climate on normative commitment in JFEs**

From the previous analysis, it is concluded that a friendship-efficiency style organizational ethical climate exists in JFEs in China's manufacturing industry. The main loading factors of this climate include BC3, BI2, BI3, EC2, EI4, BI1 and EC3. The main loading factors of normative commitment include gf1, gf2, gf3, gf4, gf5 and gf6. In this part, the SEM structural equation is used to figure out the influence, together with its degree, of a friendship-efficiency style organizational ethical climate on normative commitment. As calculated by Stata, the structural figure of the influence of friendship-efficiency style organizational ethical climate in JFEs on normative commitment is shown below.

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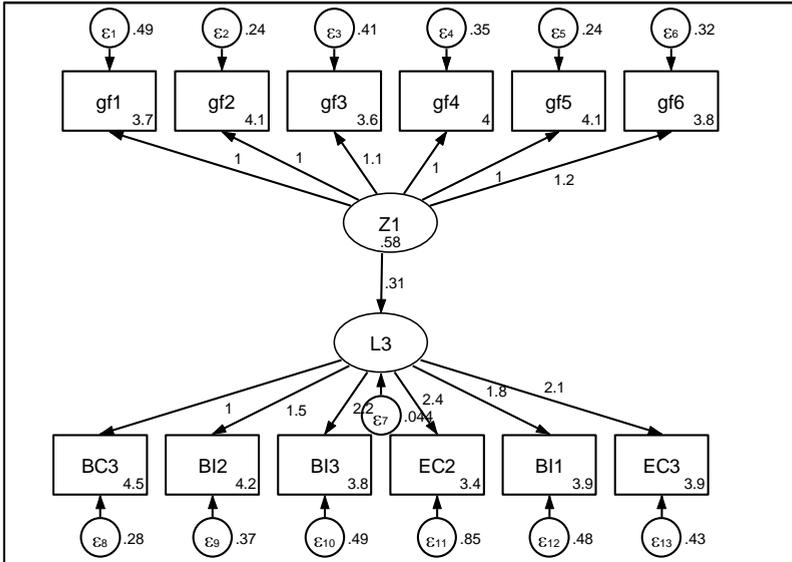


Figure 1-1. The non-standardized structural figure of the influence of friendship-efficiency style organizational ethical climate in JFEs on normative commitment

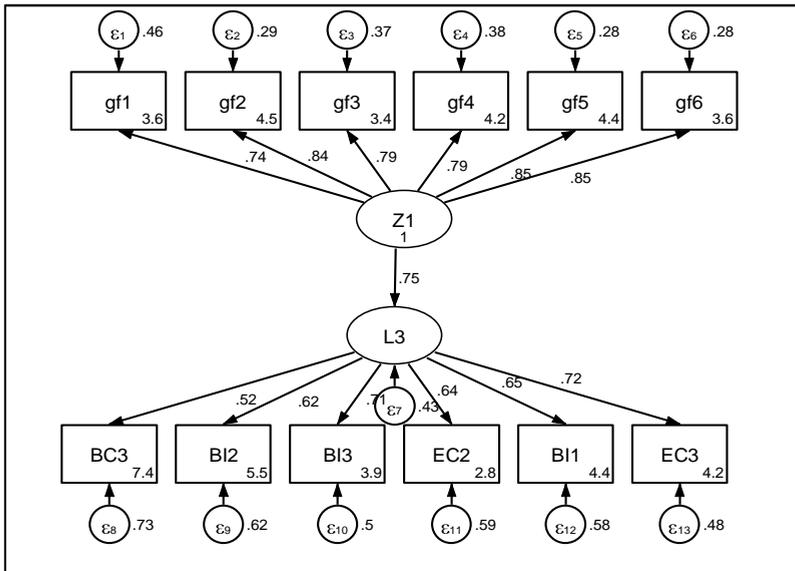


Figure 1-2 The standardized structural figure of the influence of friendship-efficiency style organizational ethical climate in JFEs on normative commitment

In the bottom half of the figure, the panes stand for observed variables of friendship-efficiency style organizational ethical climate, which are also the main loading factors of the loading matrix. The L3 in the oval stands for friendship-efficiency style organizational ethical climate, which is an endogenous latent variable. This climate is measured through observed variables (EC4, EI1, EI3, BI4, EL1, BL3, BL2 and P11). In the upper half of the figure, the panes stand for observed variables of normative commitment. The Z1 in the oval stands for normative commitment, which is an exogenous latent variable. In addition, the circles next to the panes stand for the error terms of the observed variables.

From the figure, it can be observed that friendship-efficiency style organizational ethical climate has significantly positive influence on normative commitment with an influence coefficient valued 0.31 that passes the test by  $p < 0.01$ . In addition, the following regression table of the SEM structural equation makes a reflection on the significance of other observed variables and the significance of influence of endogenous variables on exogenous latent variables.

**Table 1-1. The influence of friendship-efficiency style organizational ethical climate in JFEs on normative commitment**

VARIABLES	(1)	(2)	(3)	(4)	(5)	(6)	(7)
L1		1	1.514***	2.202***	2.430***	1.836***	2.124***
		(0)	(0.0321)	(0.0467)	(0.0541)	(0.0420)	(0.0445)
Z1	0.315***						
	(0.00703)						
Constant		4.521***	4.237***	3.836***	3.364***	3.933***	3.936***
		(0.00589)	(0.00746)	(0.00953)	(0.0115)	(0.00867)	(0.00902)
Observations	11,083	11,083	11,083	11,083	11,083	11,083	11,083

Standard errors in parentheses

\*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$

**Table 1-2. (1-1 Cont.) The influence of friendship-efficiency style organizational ethical climate in JFEs on normative commitment**

VARIABLES	(8)	(9)	(10)	(11)	(12)	(13)
L1						
Z1	1	1.011***	1.094***	1.000***	1.031***	1.191***
	(0)	(0.0115)	(0.0131)	(0.0122)	(0.0117)	(0.0133)
Constant	3.706***	4.084***	3.630***	4.046***	4.060***	3.801***
	(0.00994)	(0.00876)	(0.0101)	(0.00926)	(0.00891)	(0.0103)
Observations	11,083	11,083	11,083	11,083	11,083	11,083

Standard errors in parentheses

\*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$

**Table 1-3. (1-1 Cont.) The influence of friendship-efficiency style organizational ethical climate in JFEs on normative commitment**

	(14)	(15)	(16)	(17)	(18)	(19)	(20)
VARIABLES	var(e.BC3)	var(e.BI2)	var(e.BI3)	var(e.EC2)	var(e.BI1)	var(e.EC3)	var(e.gf1)
	0.276***	0.372***	0.495***	0.849***	0.475***	0.427***	0.492***
	(0.00404)	(0.00577)	(0.00940)	(0.0133)	(0.00849)	(0.00844)	(0.00739)
Observations	11,083	11,083	11,083	11,083	11,083	11,083	11,083

Standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

**Table 1-4. (1-1 Cont.) The influence of friendship-efficiency style organizational ethical climate in JFEs on normative commitment**

	(21)	(22)	(23)	(24)	(25)	(26)	(27)
VARIABLES	var(e.569)	var(e.572)	var(e.698)	var(e.463)	var(e.gf6)	var(e.L1)	var(Z1)
	0.356***	0.332***	0.408***	0.312***	0.317***	0.0436***	0.581***
	(0.00668)	(0.00523)	(0.00810)	(0.0123)	(0.00549)	(0.00190)	(0.0133)
Observations	11,083	11,083	11,083	11,083	11,083	11,083	11,083

Standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

JFEs in China's manufacturing industry are influenced by management philosophies in Japan. It is true to both employees and the society that besides efficiency management, altruism management is also important. In these enterprises, it is believed that self-interest and efficiency should be based on altruism. Under the guidance of this management philosophy, these enterprises pay special attention to the satisfaction of employees and consumers, in terms of both employees and products. Thus, friendship-efficiency style organizational climate is gradually built. In this climate, the employees feel a sense of debt to the enterprise – e.g., for the training and investment the enterprise provides to them – so that they urge themselves to repay the enterprise with loyalty. Also, the employees' sense of belonging is cultivated by promotion.

## **1.2. The Influence of Friendship-Efficiency Style Organizational Ethical Climate on Economic Commitment in JFEs**

Like above, in this part, the SEM structural equation is used to figure out the influence, together with its degree, of a friendship-efficiency style of organizational ethical climate on economic commitment. As calculated by Stata, the structural figure of the influence of friendship-efficiency style organizational ethical climate in JFEs on economic commitment is shown below.

From the figure, it can be observed that friendship-efficiency style organizational ethical climate has significantly positive influence on economic commitment with an influence coefficient valued 0.46 that passes the test by  $p < 0.01$ . In addition, the following regression table of the SEM structural equation makes a reflection on the significance of other observed variables and the significance of influence of endogenous variables on exogenous latent variables.

Ethical climate does not directly change ethical behaviors, but it regulates the relationship of the four stages therein. The rule and professional code ethical climate has a moderating effect on individual moral judgments and behavioral intentions (Tim, 2000). In addition, a positive ethical climate formed by the organization means regulation between individuals and organizations. Good interaction between the individual and the organization can strengthen the organization members' perception of organizational ethical climate and thus enhance the organization's commitment level. Meanwhile, identification of organizational ethical climate enables a higher level of matching between members and organizations. Therefore, under the friendship-efficiency style organizational ethical climate, the influence on employees' organizational commitment has much to do with their own traits and the environment. As discussed above, most of the front-line employees in JFEs in China's manufacturing industry come from China. Suffering from job insecurity, low wages and no extra income, many of them are in a marginalized position of the Chinese labor market. All these exterior conditions prompt them to care more about economic commitment. Fortunately, such expectations can be well met in a friendship-efficiency style organizational ethical climate. So eventually, friendship-efficiency style has a significant influence on economic commitment.

### **1.3. Conclusion on the Influence of Organizational Ethical Climates on Organizational Commitment in JFEs**

As observed from the above analysis of the influence of organizational ethical climates on organizational commitment in JFEs in China's manufacturing industry, Golden Mean style organizational ethical climate in JFEs has a 0.75 influence coefficient on normative commitment, social responsibility style organizational ethical climate in JFEs has a 0.35 influence coefficient on normative commitment, social responsibility style organizational ethical climate in JFEs has a 0.51 influence coefficient on economic commitment, friendship-efficiency style organizational ethical climate in JFEs has a 0.31 influence coefficient on normative commitment and friendship-efficiency style organizational ethical climate in JFEs has a 0.46 influence coefficient on economic commitment. From this, it is clear that Golden Mean style organizational ethical climate is most influential to normative commitment, and social responsibility style organizational ethical climate has the greatest impact on economic commitment. Ultimately, this is closely related with the

culture in China and Japan and the management philosophy of Japan. First and foremost, Japanese enterprises have long pursued social responsibility. In 1932, Konosuke Matsushita made such a comment on the Commemorative Day of Business, saying “I have known the duty of an industrialist: overcoming poverty and making the society richer. The purpose of production is to enrich our daily life with the necessities and expand the content of life. Such is the ultimate duty of us National.”<sup>1</sup> In social responsibility, Japanese enterprises are people-oriented. They emphasize that the enterprise is a collection of people, and the needs of people must be satisfied first so that employees’ productivity can be increased, thus creating more wealth and profit for the enterprise and the society. Based on this, many enterprises have acknowledged that the value of an enterprise is to make the society prosperous and make itself appreciated by the society and the employees. The enterprise ought to develop on the development of employees. Japan has long kept the right of employees to handle enterprises’ own affairs. Core employees are recognized as the sovereign and manager of the enterprise.<sup>2</sup> Therefore, family-style loyalty is adopted in group management in Japanese enterprises. Having fully considered employees’ interests, these enterprises create promising working and living conditions for their employees<sup>3</sup>. When they come to China, such social responsibility continues, not just because it is a tradition, but also because of the policies in China. The present Sino-Japanese relationship calls for more social responsibility from Japan, so JFEs shoulder more social responsibility to enhance their corporate image and reduce opposition. An important reason for Chinese laborers to work in JFEs is that wages in JFEs are higher. Usually, the Chinese follow their culture and traditions, so they choose to take the route of Golden Mean. Scientific management philosophies that are task – or work-oriented are more efficient indeed, but these philosophies are less effective if Chinese laborers have oppositional attitudes towards JFEs. But if JFEs are completely employee-oriented, negative influences will occur, as the employees shall be restricted by well-disciplined motivation. As a result, China tends to favor a Golden Mean style of organizational ethical climate. And eventually, normative and economic commitments are formed through a social responsibility style of organizational ethical climate.

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<sup>1</sup> Ping Li. Japan is “taking a shortcut” in building up corporate ethics [J]. *Chinese and Foreign Corporate Culture*, 2003(3):48–50.

<sup>2</sup> Huiying Hou, Changsheng Zhang. The Sovereign Phenomenon of Japanese Operators and the Reform of Corporate Governance Structure [J]. *Contemporary Economy of Japan*, 2005(4):51–54.

<sup>3</sup> Yan Zhang. Reflections on the Current New Humanistic Management Model – Taking the Experience of Japanese Enterprise Management as a Case [J]. *Business Week*, 2004(7):42–43.

## **2. Empirical Analysis on the Relationship Between Organizational Ethical Climate and Organizational Commitment and Performance in JFEs in China**

Organizational ethical climate is a shared perception among organization members about how to address ethical questions. It underlies the decisions of the organization and its members, and it is bound to influence their behaviors. Different organizational ethical climates have different influences on organization members. The more positive a climate is, the more it enhances members' ethical behaviors and organization performance. On the other hand, negative organizational ethical climate is related with many unethical behaviors, including deception, lying, stealing, rule-breaking and misconduct. In this respect, previous researchers examined the influence of organizational ethical climate on members in terms of its relationship with both positive behaviors (like organizational citizenship) and negative behaviors (such as unethical or deviant behaviors). Through its influence on members' behaviors, organizational ethical climate can make a difference in job performance.

In addition, against the backdrop of the modern knowledge economy, the key to sustainable organizational development lies in making good use of human resources within the organization. This exerts positive influence on the job performance of members and gives birth to the organization's core competence. Among the factors influential to members' performance, working attitude has always been a focus for scholars in the home country and abroad. This study has, through the approaches of theoretical analysis and empirical survey, selected organizational commitment, an important part of working attitude, to investigate its influence on members' performance and apply the results into practice so as to provide reference for HRM in organizations. In the results, this study has, from the perspective of HRM, put forward measures that boost organizational commitment and then members' performance. The innovation in this study is to model the influence of organizational commitment on members' performance in Chinese culture through empirical studies to provide reference, to a certain extent, for HRM in organizations in China.

### **2.1. Golden Mean Style Organizational Ethics, Normative Organizational Commitment and Job Performance**

Previous research has found that organizational ethical climate can enhance members' job performance by improving members' working behaviors. Therefore, in order to examine the relationship between organizational ethical climate and job performance in JFEs in China's manufacturing industry, this chapter mainly studies the relationship among organizational ethical climate, organizational commitment and job performance. Organizational ethical climate can exert influence on job performance either directly or indirectly (through strengthening organizational commitment), the latter of which has

already been confirmed by the SEM structural equation as positive, though in varying degrees. Therefore, this study deals with the remaining three relationships (organizational ethical climate – job performance, organizational commitment–job performance and organizational ethical climate–organizational commitment–job performance).

First, according to statistics, Golden Mean style organizational ethical climate can, to some extent, influence members' working behaviors (and then job performance) through the focus on employees and tasks. The table below shows significant positive correlation between Golden Mean style organizational ethical climate and job performance. As is shown in the SEM structural equation, the path coefficient of the two is 0.82, so Golden Mean style organizational ethical climate can significantly enhance job performance.

**Table 1-5. (1-1 Cont.) The influence of Golden Mean style organizational ethical climate on job performance**

(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)
var(e.BL3)	var(e.BL2)	var(e.PI1)	var(e.rw1)	var(e.rw2)	var(e.rw3)	var(e.rw4)	var(e.L1)	var(E)
0.416***	0.373***	0.344***	0.388***	0.348***	0.261***	0.339***	0.104***	0.605***
(0.00651)	(0.00603)	(0.00550)	(0.00641)	(0.00569)	(0.00479)	(0.00528)	(0.00345)	(0.0130)
11,083	11,083	11,083	11,083	11,083	11,083	11,083	11,083	11,083

Standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

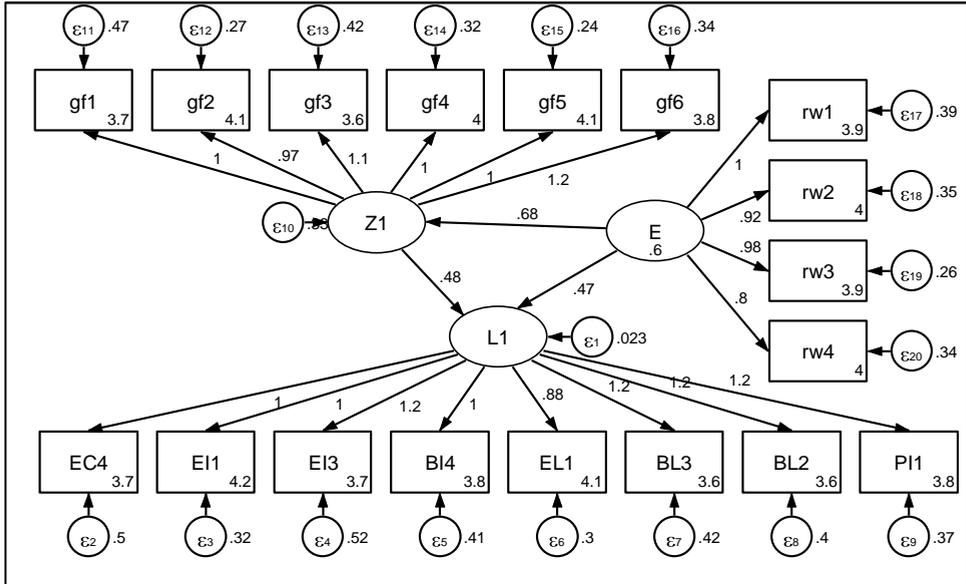


Figure 1-1. The non-standardized effect of Golden Mean style organizational ethical climate, normative commitment and job performance

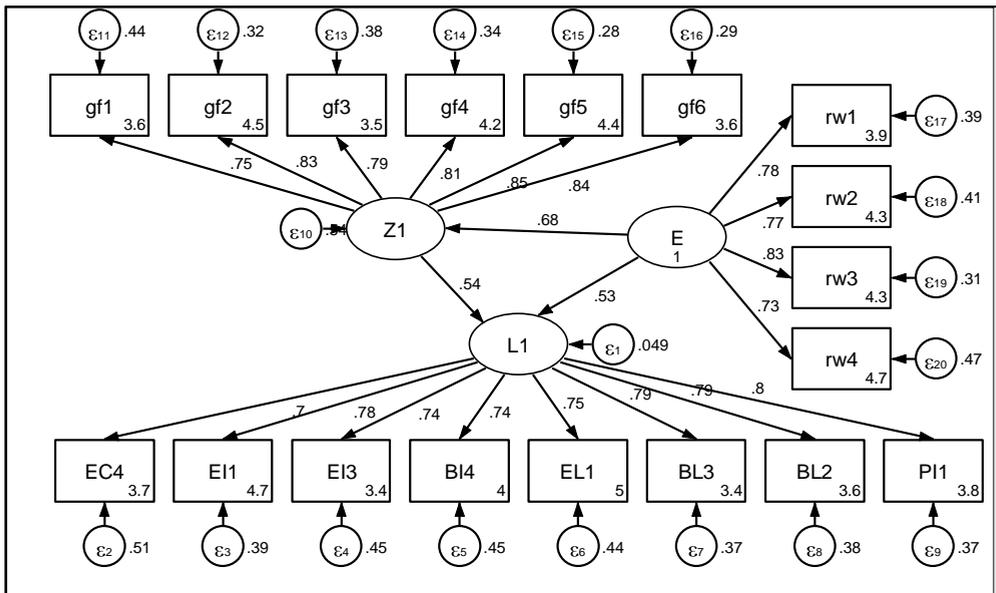


Figure 1-2. The standardized effect of Golden Mean style organizational ethical climate, normative commitment and job performance

Though the path coefficient of Golden Mean style organizational ethical climate and job performance is as high as 0.82, two effects are found through the SEM structural equation in the influence of Golden Mean style organizational ethical climate on job performance in two paths: one between Golden Mean style organizational ethical climate and job performance, the other between normative commitment and job performance. In other words, Golden Mean style organizational ethical climate has a direct influence on job performance, but it also has an indirect influence through organizational commitment.

The path coefficient for the direct influence of organizational ethical climate on job performance is 0.47. In the indirect path, the path coefficient for Golden Mean style organizational ethical climate on organizational commitment is 0.48, and organizational commitment on job performance 0.68.

From the results in the related empirical surveys for JFEs, the path coefficient of the influence of Golden Mean style organizational ethical climate on normative commitment is 0.75. However, at present, the path coefficient of the influence of such climate on organizational commitment is 0.48, which is an obvious drop. This shows that Golden Mean style organizational ethical climate splits into two different paths, and using the two different approaches allows us to more accurately study the effects it has on organizational ethical climate. Meanwhile, the influential coefficient of Golden Mean style organizational ethical climate in the setting of the individual path for such climate and job performance is 0.82; for the two paths, the path coefficient of the direct one is 0.47, and indirect one 0.68. As is shown by these results, Golden Mean style organizational ethical climate has both direct and indirect influence on job performance.

A Golden Mean style organizational ethical climate combines both a caring climate and an instrumental climate. A caring climate pays attention to the wellbeing of every employee. The departments in the organization interact with the employees in a caring/benevolent organizational ethical climate. Not only does such a climate breed "solidarity and mutual assistance" in ethical behaviors, but it also creates a better environment for employees to love and help each other. Employees consider team interest as a furtherance of self-interest. When they face ethical dilemmas, they are less likely to conduct unethical behaviors since they are influenced by the caring/benevolent ethical climate, and thus job performance is enhanced.

An instrumental climate is a climate that is benchmarked by individualism in which the employees pursue self-interest. If employees all take the principle of self-interest to the extreme, they will neglect organizational interest. Then, there would be almost no ethical bound for their behaviors, and it would be no surprise for them to conduct unethical behaviors out of self-interest. Consequently, job performance would be harmed.

Therefore, Golden Mean style organizational ethics has both positive and negative influences on job performance. But in all, Golden Mean style organizational ethical climate is an embodiment of the interest of both employees and the organization. It focuses on friendship of employees and team building, which is conducive to cultivating their enthusiasm, and thus it enhances job performance.

### 2.2. Social Responsibility Style Organizational Ethics, Normative Organizational Commitment and Job Performance

The figure below shows significant positive correlation between social responsibility style organizational ethical climate and job performance. As is shown in the SEM structural equation, the path coefficient of the two is 0.42, so social responsibility style organizational ethical climate can significantly enhance job performance.

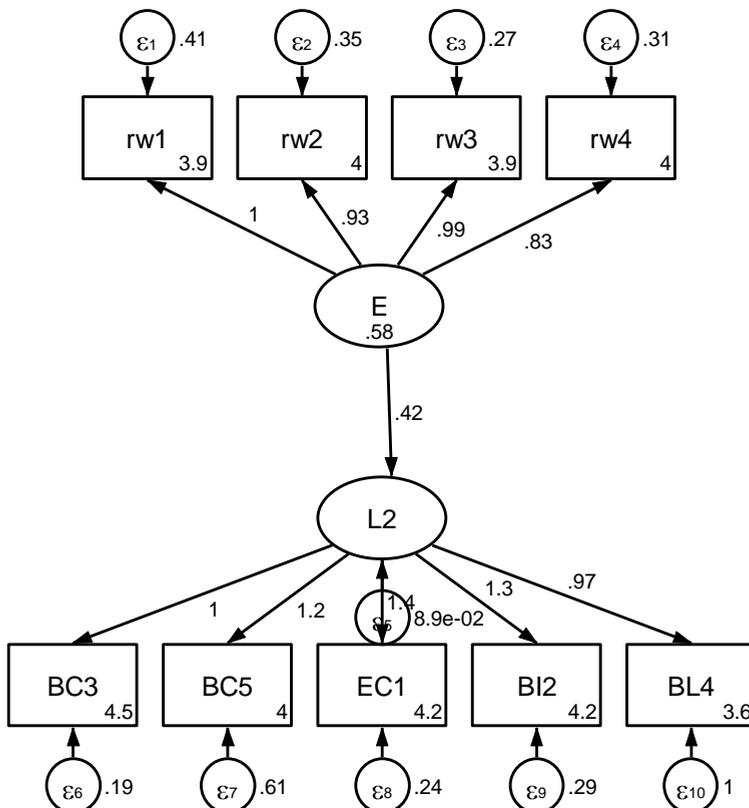


Figure 1-3. The non-standardized effect of the influence of social responsibility style organizational ethical climate on job performance

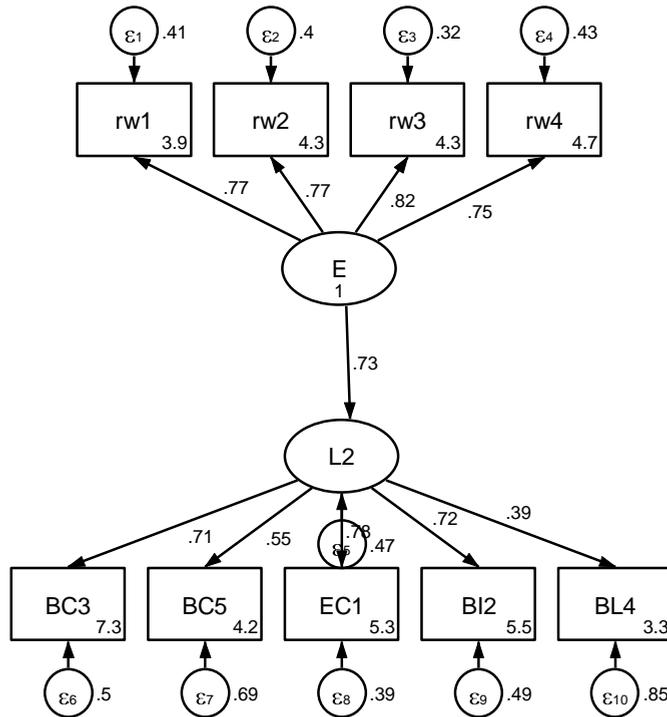


Figure 1-4. The standardized effect of the influence of social responsibility style organizational ethical climate on job performance

Table 1-6. The influence of social responsibility style organizational ethics on job performance

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	m21									
VARIABLES	L2	BC3	BC5	EC1	BI2	BL4	rw1	rw2	rw3	rw4
L2		1	1.191***	1.419***	1.276***	0.969***				
		(0)	(0.0242)	(0.0199)	(0.0193)	(0.0279)				
E	0.415***						1	0.934***	0.987***	0.834***
	(0.00735)						(0)	(0.0117)	(0.0116)	(0.0108)
Constant		4.519***	3.953***	4.165***	4.237***	3.597***	3.852***	3.998***	3.924***	3.969***
		(0.00591)	(0.00900)	(0.00760)	(0.00746)	(0.0105)	(0.00956)	(0.00888)	(0.00882)	(0.00814)
Observations	11,083	11,083	11,083	11,083	11,083	11,083	11,083	11,083	11,083	11,083

Standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

**Table 1-7. (1-6 Cont.) The influence of social responsibility style organizational ethics on job performance**

(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
var(e.B C3)	var(e.B C5)	var(e.E C1)	var(e. BI2)	var(e.B L4)	var(e.r w1)	var(e.r w2)	var(e.r w3)	var(e.r w4)	var(e. L2)	var(E )
0.189** *	0.609** *	0.245** *	0.294* **	1.020** *	0.407* **	0.345* **	0.274* **	0.313* **	0.0891 ***	0.585 ***
(0.0032 7)	(0.0092 4)	(0.0049 6)	(0.005 12)	(0.014 5)	(0.006 99)	(0.006 02)	(0.005 41)	(0.005 37)	(0.002 95)	(0.01 30)
11,083	11,083	11,083	11,083	11,083	11,083	11,083	11,083	11,083	11,083	11,083

Standard errors in parentheses

\*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$

Though the path coefficient of social responsibility style organizational ethical climate and job performance is 0.42, two effects are found through the SEM structural equation in the influence of social responsibility style organizational ethical climate on job performance in two paths: one between social responsibility style organizational ethical climate and job performance, the other between normative commitment and job performance. In other words, social responsibility style organizational ethical climate has a direct influence on job performance, but it also has an indirect influence through organizational commitment.

The path coefficient for the direct influence of social responsibility style organizational ethical climate on job performance is 0.33. In the indirect path, the path coefficient for social responsibility style organizational ethical climate on organizational commitment is 0.12, and organizational commitment on job performance 0.67.

From the results in the related empirical surveys for JFEs, the path coefficient of the influence of social responsibility style organizational ethical climate on normative commitment is 0.35. However, at present, the path coefficient of the influence of such climate on organizational commitment is 0.12, which is an obvious drop. This shows social responsibility style organizational ethical climate also splits into two paths; using the two different approaches allows a more accurate understanding of its effect on organizational

ethical climate. Meanwhile, the influential coefficient of social responsibility style organizational ethical climate in the setting of the individual path for such climate and job performance is 0.42; for the two paths, the path coefficient of the direct one is 0.33, and indirect one 0.67. As is shown by these results, social responsibility style organizational ethical climate has both direct and indirect influence on job performance.

**Table 1-8. The influence of social responsibility style organizational ethics on normative commitment and job performance**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)
	m20						
VARIABLES	L2	Z1	BC3	BC5	EC1	BI2	BL4
Z1	0.122*** (0.00759)						
E	0.330*** (0.00862)	0.666*** (0.0119)					
L2			1 (0)	1.209*** (0.0252)	1.399*** (0.0204)	1.320*** (0.0203)	1.120*** (0.0308)
Constant			4.520*** (0.00591)	3.954*** (0.00902)	4.165*** (0.00762)	4.237*** (0.00748)	3.596*** (0.0105)
Observations	11,083	11,083	11,083	11,083	11,083	11,083	11,083

Standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

**Table 1-9. (1-8 Cont.) The influence of social responsibility style organizational ethics on normative commitment and job performance**

	(8)	(9)	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
	rw1	rw2	rw3	rw4	gf1	gf2	gf3	gf4	gf5	gf6
Z1					1 (0)	1.015*** (0.0117)	1.103*** (0.0133)	1.007*** (0.0123)	1.033*** (0.0119)	1.198*** (0.0135)
E	1 (0)	0.936*** (0.0116)	0.992*** (0.0115)	0.827*** (0.0107)						
L2										
Constant	3.851*** (0.00959)	3.996*** (0.00891)	3.923*** (0.00885)	3.969*** (0.00816)	3.706*** (0.00996)	4.084*** (0.00879)	3.631*** (0.0101)	4.047*** (0.00928)	4.060*** (0.00893)	3.801*** (0.0103)
Observations	11,083	11,083	11,083	11,083	11,083	11,083	11,083	11,083	11,083	11,083

Standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

**Table 1-10. (1-8 Cont.) The influence of social responsibility style organizational ethics on normative commitment and job performance**

	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)
VARIABLES	var(e.BC5)	var(e.EC1)	var(e.BI2)	var(e.BL4)	var(e.rw1)	var(e.rw2)	var(e.rw3)	var(e.rw4)
Z1								
E								
L2								
Constant	0.611***	0.270***	0.287***	0.970***	0.406***	0.344***	0.269***	0.319***
	(0.00926)	(0.00535)	(0.00512)	(0.0144)	(0.00688)	(0.00590)	(0.00522)	(0.00532)
Observations	11,083	11,083	11,083	11,083	11,083	11,083	11,083	11,083

Standard errors in parentheses

\*\*\* p&lt;0.01, \*\* p&lt;0.05, \* p&lt;0.1

**Table 1-11. (1-8 Cont.) The influence of social responsibility style organizational ethics on normative commitment and job performance**

	(27)	(28)	(29)	(30)	(31)	(32)	(33)	(34)	(35)
VARIABLES	var(e.gf1)	var(e.gf2)	var(e.gf3)	var(e.gf4)	var(e.gf5)	var(e.gf6)	var(e.L2)	var(e.Z1)	var(E)
Z1									
E									
L2									
Constant	0.494***	0.241***	0.407***	0.346***	0.245***	0.316***	0.0783***	0.316***	0.585***
	(0.00745)	(0.00411)	(0.00646)	(0.00550)	(0.00424)	(0.00551)	(0.00282)	(0.00781)	(0.0130)
Observations	11,083	11,083	11,083	11,083	11,083	11,083	11,083	11,083	11,083

Standard errors in parentheses

\*\*\* p&lt;0.01, \*\* p&lt;0.05, \* p&lt;0.1

Social responsibilities are the responsibilities an organization should shoulder to maintain and improve the welfare level of the whole society. It is a duty that an organization ought to fulfill for the long-term goal of the society's betterment. This idea is closely related with philosophies of ethics and morality though not related with the requirements of law and economic benefits. From the organizational perspective,

shouldering social responsibilities not only enhances reputation and a sense of belonging for the organization, but it also better represents cultural orientations and values. From the social perspective, when the society is in an era of change, shouldering social responsibilities helps block the negative influences of this change and thus lowers cost.

It is also very important to investigate the relationship between social responsibility and business performance, especially because some people worry that shouldering social responsibilities harms business performance. They believe that shouldering social responsibilities gains less than it costs, and the extra cost deals damage to the short-term interest of the organization. However, this is actually not true, because the social responsibilities shouldered competently are equal to investment. Although the business performance suffers from short-term sacrifice, it gains more than enough to repay the extra cost in the long-term, since such investment improves the public image of the organization and attracts more talent. In this sense, to benefit others is to benefit the organization itself. Moreover, most studies have found a positive correlation between social responsibility engagement of organizations and business performance.

### 2.3. Friendship-Efficiency Style Organizational Ethics, Normative Commitment and Job Performance

The figure below shows significant positive correlation between friendship-efficiency style organizational ethical climate and job performance. As is shown in the SEM structural equation, the path coefficient of the two is 0.34, so friendship-efficiency style organizational ethical climate can significantly enhance job performance.

**Table 1-12. The influence of friendship-efficiency style organizational ethical climate on job performance**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	m22								
VARIABLES	L3	BC3	BI2	BI3	EC2	BI1	EC3	rw1	rw2
L3		1	1.430***	2.432***	2.444***	1.520***	2.428***		
		(0)	(0.0317)	(0.0488)	(0.0537)	(0.0368)	(0.0475)		
E	0.343***							1	0.913***
	(0.00724)							(0)	(0.0113)
Constant		4.520***	4.237***	3.838***	3.366***	3.934***	3.938***	3.852***	3.996***
		(0.00590)	(0.00747)	(0.00952)	(0.0115)	(0.00867)	(0.00902)	(0.00956)	(0.00890)
Observations	11,083	11,083	11,083	11,083	11,083	11,083	11,083	11,083	11,083

Standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

**Table 1-13. (1-12 Cont.) The influence of friendship-efficiency style organizational ethical climate on job performance**

	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)
VARIABLES	rw3	rw4	var(e.BC3)	var(e.BI2)	var(e.BI3)	var(e.EC2)	var(e.BI1)	var(e.EC3)
L3								
E	0.989***	0.817***						
	(0.0112)	(0.0104)						
Constant	3.924***	3.970***	0.280***	0.404***	0.404***	0.859***	0.588***	0.304***
	(0.00884)	(0.00814)	(0.00403)	(0.00596)	(0.00712)	(0.0130)	(0.00854)	(0.00589)
Observations	11,083	11,083	11,083	11,083	11,083	11,083	11,083	11,083

Standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

**Table 1-14. (1-12 Cont.) The influence of friendship-efficiency style organizational ethical climate on job performance**

(18)	(19)	(20)	(21)	(22)	(23)
var(e.rw1)	var(e.rw2)	var(e.rw3)	var(e.rw4)	var(e.L3)	var(E)
0.394***	0.361***	0.262***	0.320***	0.0277***	0.597***
(0.00668)	(0.00601)	(0.00508)	(0.00523)	(0.00123)	(0.0130)
11,083	11,083	11,083	11,083	11,083	11,083

Standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

The path coefficient of friendship-efficiency style organizational ethical climate and job performance is 0.27. Two effects are found through the SEM structural equation in the

influence of friendship-efficiency style organizational ethical climate on job performance in two paths: one between friendship-efficiency style organizational ethical climate and job performance, the other between normative commitment and job performance. In other words, friendship-efficiency style organizational ethical climate has a direct influence on job performance, but it also has an indirect influence through organizational commitment.

The path coefficient for the direct influence of organizational ethical climate on job performance is 0.27. In the indirect path, the path coefficient for friendship-efficiency style organizational ethical climate on organizational commitment is 0.11, and organizational commitment on job performance 0.67.

From the results in the related empirical surveys for JFEs, the path coefficient of the influence of friendship-efficiency style organizational ethical climate on normative commitment is 0.31. However, at present, the path coefficient of the influence of such climate on organizational commitment is 0.11, which is an obvious drop. This shows friendship-efficiency style organizational ethical climate splits into two paths, and using the two different approaches allows a more accurate understanding of its effect on organizational ethical climate. Meanwhile, the influential coefficient of friendship-efficiency style organizational ethical climate in the setting of the individual path for such climate and job performance is 0.34; for the two paths, the path coefficient of the direct one is 0.27, and indirect one 0.67. As is shown by these results, friendship-efficiency style organizational ethical climate has both direct and indirect influence on job performance.

#### **2.4. Golden Mean Style Organizational Ethics, Economic Organizational Commitment and Job Performance**

According to statistics, there is no significant relationship between economic commitment and job performance; neither does an obvious coefficient relationship appear in the path regression of the two. Similarly, there is no significant correlation in the path between Golden Mean style organizational ethical climate and economic commitment. However, there is significant correlation between the Golden Mean style organizational ethical climate and job performance. The path coefficient of the two is 0.82, which goes up to 0.89 after the path coefficient is standardized.

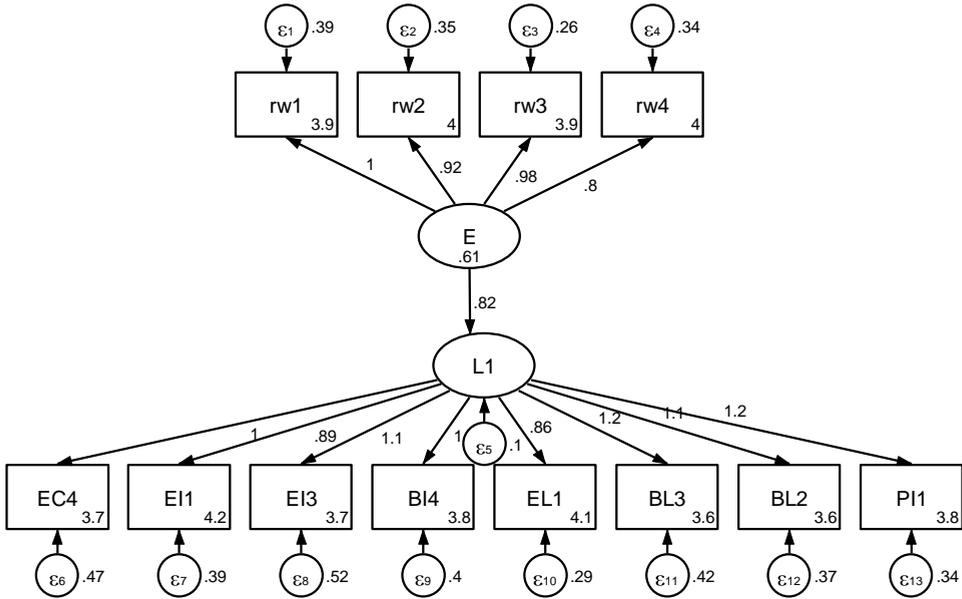


Figure 2-1. The non-standardized effect of the influence of Golden Mean style organizational ethics on job performance

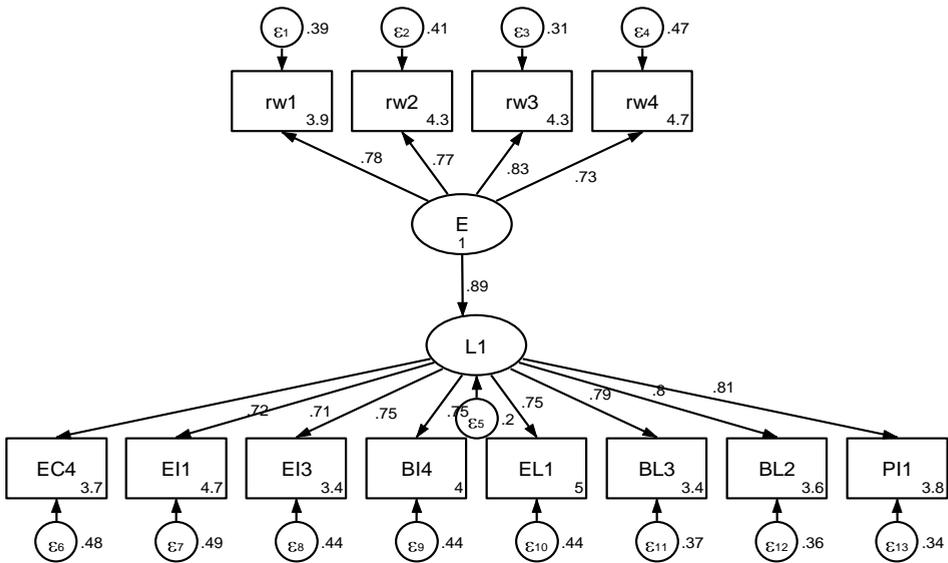


Figure 2-2. The standardized effect of the influence of Golden Mean style organizational ethics on job performance

As explained above, a Golden Mean style organizational ethical climate includes caring and instrumental climates. A caring climate pays attention to the wellbeing of every employee. The departments in the organization interact with the employees in a caring/benevolent organizational ethical climate. An instrumental climate is a climate that is benchmarked by individualism in which the employees pursue self-interest. If employees all take the principle of self-interest to the extreme, they will neglect organizational interest. Then, there would be almost no ethical bound for their behaviors, and it would be no surprise for them to conduct unethical behaviors out of self-interest. Therefore, Golden Mean style organizational ethical climate exerts a weak influence on economic commitment, and ultimately, it cannot exert influence on job performance through economic commitment. In conclusion, Golden Mean style organizational ethical climate exerts only a direct influence on job performance.

**Table 2-1. The influence of Golden Mean style organizational ethics on economic commitment and job performance**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
	m116								
VARIABLES	L1	EC4	EI1	EI3	BI4	EL1	BL3	BL2	PI1
L1		1	0.895***	1.128***	1.004***	0.864***	1.185***	1.147***	1.155***
		(0)	(0.0124)	(0.0153)	(0.0131)	(0.0113)	(0.0146)	(0.0143)	(0.0140)
E	0.818***								
	(0.0117)								
Constant		3.660***	4.174***	3.661***	3.849***	4.127***	3.591***	3.639***	3.800***
		(0.00951)	(0.00860)	(0.0104)	(0.00916)	(0.00788)	(0.0102)	(0.00981)	(0.00972)
Observations	11,083	11,083	11,083	11,083	11,083	11,083	11,083	11,083	11,083

Standard errors in parentheses

\*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$

**Table 2-2. (2-1 Cont.) The influence of Golden Mean style organizational ethics on economic commitment and job performance**

	(10)	(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)
VARIABLES	rw1	rw2	rw3	rw4	var(e.EC4)	var(e.EI1)	var(e.EI3)	var(e.BI4)	var(e.EL1)
L1									
E	1	0.917***	0.983***	0.796***					
	(0)	(0.0110)	(0.0108)	(0.0101)					
Constant	3.851***	3.996***	3.923***	3.967***	0.469***	0.392***	0.515***	0.396***	0.293***
	(0.00958)	(0.00890)	(0.00884)	(0.00817)	(0.00701)	(0.00578)	(0.00797)	(0.00595)	(0.00444)
Observations	11,083	11,083	11,083	11,083	11,083	11,083	11,083	11,083	11,083

Standard errors in parentheses

\*\*\*  $p < 0.01$ , \*\*  $p < 0.05$ , \*  $p < 0.1$

**Table 2-3. (2-1 Cont.) The influence of Golden Mean style organizational ethics on economic commitment and job performance**

	(19)	(20)	(21)	(22)	(23)	(24)	(25)	(26)	(27)
VARIABLES	var(e.BL3)	var(e.BL2)	var(e.PI1)	var(e.rw1)	var(e.rw2)	var(e.rw3)	var(e.rw4)	var(e.L1)	var(E)
L1									
E									
Constant	0.416*** (0.00651)	0.373*** (0.00603)	0.344*** (0.00550)	0.388*** (0.00641)	0.348*** (0.00569)	0.261*** (0.00479)	0.339*** (0.00528)	0.104*** (0.00345)	0.605*** (0.0130)
Observations	11,083	11,083	11,083	11,083	11,083	11,083	11,083	11,083	11,083

Standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

**2.5. Social Responsibility Organizational Ethics, Economic Organizational Commitment and Job Performance**

The figure below shows significant positive correlation between social responsibility style organizational ethical climate and job performance. As is shown in the SEM structural equation, the path coefficient of the two is 0.42, which shows that social responsibility style organizational ethical climate can significantly enhance job performance.

**Table 2-4. The influence of social responsibility style organizational ethics on job performance**

	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
	m113									
VARIABLES	L2	BC3	BC5	EC1	BI2	BL4	rw1	rw2	rw3	rw4
L2		1	1.191*** (0.0242)	1.419*** (0.0199)	1.276*** (0.0193)	0.969*** (0.0279)				
E	0.415*** (0.00735)						1 (0)	0.934*** (0.0117)	0.987*** (0.0116)	0.834*** (0.0108)
Constant		4.519*** (0.00591)	3.953*** (0.00900)	4.165*** (0.00760)	4.237*** (0.00746)	3.597*** (0.0105)	3.852*** (0.00956)	3.998*** (0.00888)	3.924*** (0.00882)	3.969*** (0.00814)
Observations	11,083	11,083	11,083	11,083	11,083	11,083	11,083	11,083	11,083	11,083

Standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

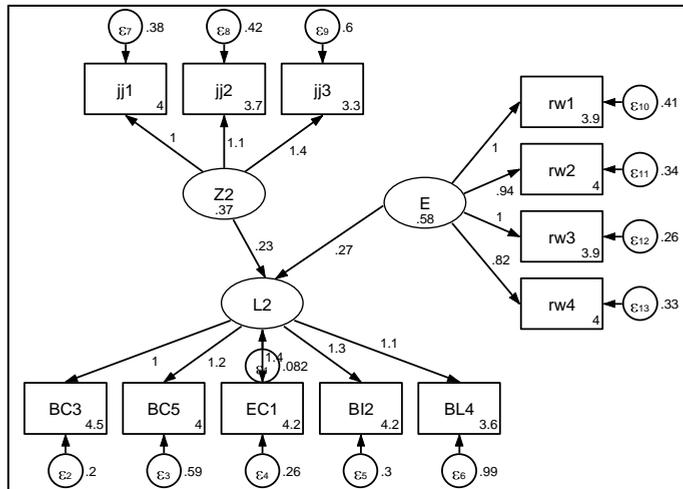
**Table 2-5. (2-4 Cont.) The influence of social responsibility style organizational ethics on job performance**

(11)	(12)	(13)	(14)	(15)	(16)	(17)	(18)	(19)	(20)	(21)
var(e.BC3)	var(e.BC5)	var(e.EC1)	var(e.BI2)	var(e.BL4)	var(e.rw1)	var(e.rw2)	var(e.rw3)	var(e.rw4)	var(e.L2)	var(E)
0.189***	0.609***	0.245***	0.294***	1.020***	0.407***	0.345***	0.274***	0.313***	0.0891***	0.585***
(0.00327)	(0.00924)	(0.00496)	(0.00512)	(0.0145)	(0.00699)	(0.00602)	(0.00541)	(0.00537)	(0.00295)	(0.0130)
11,083	11,083	11,083	11,083	11,083	11,083	11,083	11,083	11,083	11,083	11,083

Standard errors in parentheses

\*\*\* p<0.01, \*\* p<0.05, \* p<0.1

Though the path coefficient of social responsibility style organizational ethical climate and job performance is 0.42, two effects are found through the SEM structural equation in the influence of social responsibility style organizational ethical climate on job performance in two paths: one between social responsibility style organizational ethical climate and job performance, the other between economic commitment and job performance. As is observed, neither path is obvious, so there is no causal link between the two. However, the path between social responsibility style organizational ethical climate and job performance is obvious. In addition, another obvious path runs between social responsibility style organizational ethical climate and economic commitment.



*Figure 2-3. The non-standardized effect of the influence of social responsibility style organizational ethics on economic commitment and job performance*

The influence of social responsibility style organizational ethical climate on economic commitment considered, the path coefficient of the two decreases to 0.27, which means that though there is no obvious causal link between economic commitment and job performance, a certain correlation does exist between the two. In addition, the influence of social responsibility style organizational ethical climate on job performance considered, the coefficient of the two decreases from 0.51 to 0.22.

### 2.6. Friendship-Efficiency Style Organizational Ethics, Economic Commitment and Job Performance

The figure below shows significant positive correlation between friendship-efficiency style organizational ethical climate and job performance. As is shown in the SEM structural equation, the path coefficient of the two is 0.34, so friendship-efficiency style organizational ethical climate can significantly enhance job performance.

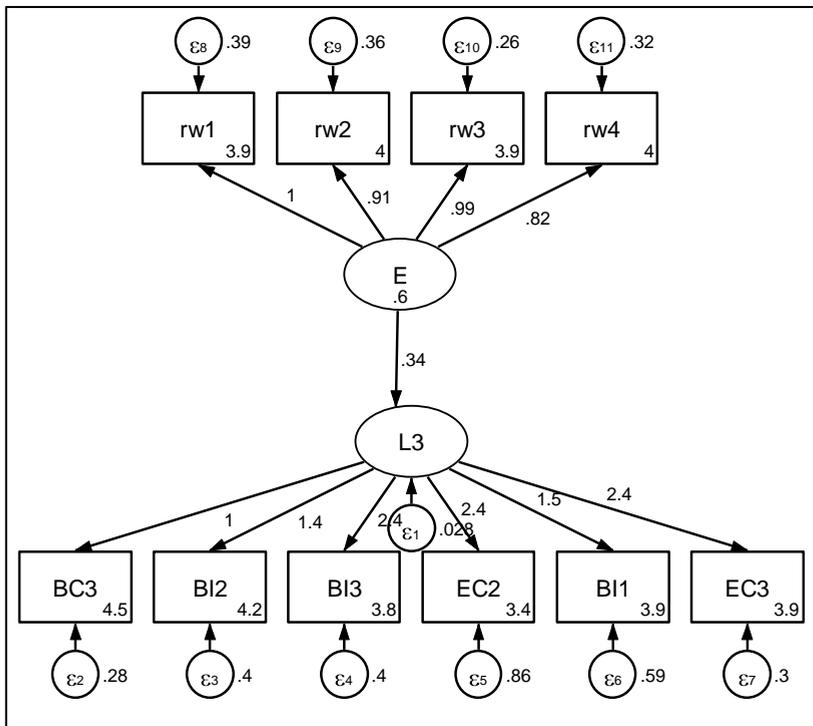


Figure 2-4. The non-standardized effect of the influence of friendship-efficiency style organizational ethics on job performance

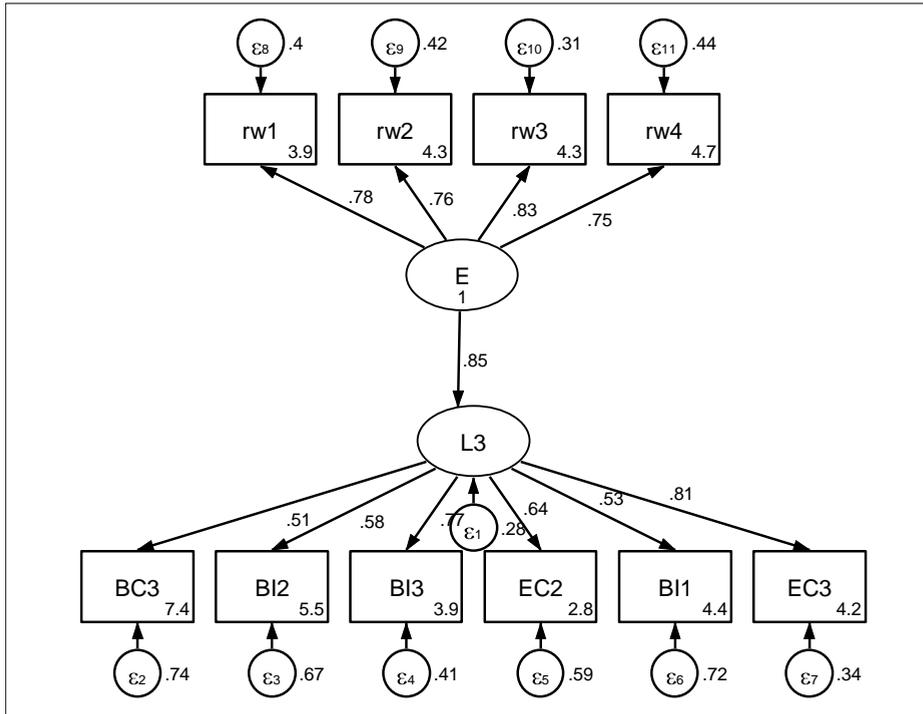


Figure 2-5. The standardized effect of the influence of friendship-efficiency style organizational ethics on job performance

The path coefficient of friendship-efficiency style organizational ethical climate and job performance is 0.54. Two effects are found through the SEM structural equation in the influence of friendship-efficiency style organizational ethical climate on job performance in two paths: one between friendship-efficiency style organizational ethical climate and job performance, the other between economic commitment and job performance. However, it is observed that the former direct path is not obvious; only the indirect latter path, through economic commitment, exerts influence on job performance.

The path coefficient for the direct influence of friendship-efficiency style organizational ethical climate on job performance is 0.4, and economic commitment on job performance 0.84.

From the tables, certain significance can be seen in the path coefficient of friendship-efficiency style organizational ethical climate and economic commitment, indicating that most organization members are able to perceive, in aspects of profit efficiency and friendship, the ethical climate of their organization. The organization is concerned with

not only the profit it earns, but also the improvement of social efficiency. As development and efficiency are both taken into consideration, it is indicated that JFEs that are influenced by the environment in China have formed an ethical climate focuses on profit and efficiency as well as humanism. When an enterprise is forming its ethical climate, managers should pay attention to the caring and understanding of their employees, including considering their needs and building up promising spaces in the enterprise for their development. Forming such caring climates improves job performance.

When influenced by friendship-efficiency style organizational ethical climate, employees care not only about what is inside the organization, but also about the stakeholders outside the organization who are influenced by their decisions. This builds employees' trust in their organization and exerts a positive influence on the organization. In addition, friendship-efficiency style organizational ethical climate sees high cohesion of members and high organizational commitment. From the perspective of social exchange theory, people always seek opportunities where they can achieve maximum personal gains and the best benefits and events in an exchange. So it is with the enterprise and employees, as the enterprise exchanges the consideration of employees' needs and wishes for their satisfaction and commitment to the organization. Once employees find resonance between their beliefs, values and abilities and the organizational ethical climate they perceive, they will show high organizational commitment and behave positively in their responsibilities, duties, commitments and work to repay the organization. Also, it should be noted that the employee can terminate such an exchange relationship with an employer for a more advantageous relationship in order raise their personal value. Therefore, organizations should form a friendship-efficiency style organizational ethical climate to lower employees' desire to switch companies and strengthen their sense of commitment and belonging.

## **2.7. The Relationship Between Organizational Ethical Climate and Organizational Commitment and Performance in JFEs in China's Manufacturing Industry**

### *Golden Mean style organizational ethics, normative commitment and job performance*

Though the path coefficient of Golden Mean style organizational ethical climate and job performance is as high as 0.82, two effects are found through the SEM structural equation in the influence of Golden Mean style organizational ethical climate on job performance in two paths: one between Golden Mean style organizational ethical climate and job performance, the other between normative commitment and job performance. In other words, Golden Mean style organizational ethical climate has a direct influence on job performance, but it also has an indirect influence through

organizational commitment, therefore Golden Mean style organizational ethical climate is an embodiment of the interest of both employees and the organization. It focuses on friendship of employees and team building, which is conducive to cultivating their enthusiasm, and thus it enhances job performance.

*Social responsibility style organizational ethics, normative commitment and job performance*

Two effects are found through the SEM structural equation in the influence of social responsibility style organizational ethical climate on job performance in two paths: one between social responsibility style organizational ethical climate and job performance, the other between normative commitment and job performance. In other words, social responsibility style organizational ethical climate has a direct influence on job performance, but it also has an indirect influence through organizational commitment.

It is very important to investigate the relationship between social responsibility and business performance, especially because some people worry that shouldering social responsibilities harms business performance. They believe that shouldering social responsibilities gains less than it costs, and the extra cost deals damage to the short-term interest of the organization. However, this is actually not true, because the social responsibilities shouldered competently are equal to investment. Although the business performance suffers from short-term sacrifice, it gains more than enough to repay the extra cost in the long term, since such investment improves the public image of the organization and attracts more talent. In this sense, to benefit others is to benefit the organization itself. Moreover, most studies have found a positive correlation between social responsibility engagement of organizations and business performance.

*Friendship-efficiency style organizational ethics, normative commitment and job performance*

The path coefficient of friendship-efficiency style organizational ethical climate and job performance is 0.27. Two effects are found through the SEM structural equation in the influence of friendship-efficiency style organizational ethical climate on job performance in two paths: one between friendship-efficiency style organizational ethical climate and job performance, the other between normative commitment and job performance. In other words, friendship-efficiency style organizational ethical climate has a direct influence on job performance, but it also has an indirect influence through organizational commitment.

*Golden Mean style organizational ethics, economic commitment and job performance*

A Golden Mean style organizational ethical climate includes caring and instrumental climates. A caring climate pays attention to the wellbeing of every employee. The departments in the organization interact with the employees in a caring/benevolent

organizational ethical climate. An instrumental climate is a climate that is benchmarked by individualism in which the employees pursue self-interest. If employees all take the principle of self-interest to the extreme, they will neglect organizational interest. Then, there would be almost no ethical bound for their behaviors, and it would be no surprise for them to conduct unethical behaviors out of self-interest. Therefore, Golden Mean style organizational ethical climate exerts a weak influence on economic commitment, and ultimately, it cannot exert influence on job performance through economic commitment. In conclusion, Golden Mean style organizational ethical climate exerts only a direct influence on job performance.

#### *Social responsibility organizational ethics, economic commitment and job performance*

Two effects are found through the SEM structural equation in the influence of social responsibility style organizational ethical climate on job performance in two paths: one between social responsibility style organizational ethical climate and job performance, the other between economic commitment and job performance. As is observed, neither path is obvious, so there is no causal link between the two. However, the path between social responsibility style organizational ethical climate and job performance is obvious. In addition, another obvious path runs between social responsibility style organizational ethical climate and economic commitment.

#### *Friendship-efficiency style organizational ethics, economic commitment and job performance*

Certain significance can be seen in the path coefficient of friendship-efficiency style organizational ethical climate and economic commitment, indicating that most organization members are able to perceive, in aspects of profit efficiency and friendship, the ethical climate of their organization. The organization is concerned with not only the profits it earns, but also the improvement of social efficiency. As development and efficiency are both taken into its consideration, it is indicated that JFEs that are influenced by the environment in China have formed an ethical climate that has profit and efficiency as well as humanism. When an enterprise is forming its ethical climate, managers should pay attention to the caring and understanding of their employees, including considering their needs and building up promising spaces for their development. Forming such caring climates improves job performance.

### **3. Research Conclusions, Contributions and Prospects**

#### **3.1 Main Findings**

##### **3.1.1 The main types of ethical climate in JFMEs**

There are three main ethical climates in JFEs in China, namely, Golden Mean style organizational ethical climate, social responsibility style organizational ethical climate and friendship-efficiency style organizational ethical climate.

Golden Mean style organizational ethical climate is built on dimensions of altruism (friendship), self-interest (instrumental), individuals (company profit) and organizations (team interest). Hence, this type of organizational ethical climate is a “golden mean” type, in which both caring and instrumental orientations of ethics are involved. There are two reasons why this organizational ethical climate exists in Chinese culture and Japanese enterprises’ management philosophy. Firstly, it is closely related to the Golden Mean, a concept of moderation in traditional Chinese philosophy. On one hand, orientations for self-interest and company profit exist in China; on the other hand, the organizational ethical climate of friendship and team interest also exists. But a Golden Mean style of leadership and organizational ethical climate is often adopted in the end.

Social responsibility style organizational ethical climate consists of dimensions of self-interest, altruism and society. Its main focuses are other people and the society; it basically represents a social responsibility style of organizational climate. Again, there are two reasons why such an organizational climate exists. Firstly, as China’s economy has developed, the country’s focus has shifted from economic growth to social welfare. More emphasis has been put on CSR, including responsibilities regarding pollution and harm reduction, health-friendly products, social assistance, etc. Enterprises must follow the government’s policies, which then influences an enterprise’s operation direction and philosophies. This is closely related to the country’s socialist backdrop and incomplete economic reform. Since the reform began, it has been proposed to separate government functions from enterprise management, to make macro-economic regulations by the country’s policies and to manage the economy only indirectly. Despite this, the government still directly intervenes in the economy in many aspects. Secondly, because of some historical reasons, JFEs have social responsibilities in their organizational ethical climate. Politically, especially due to the hostility of the Chinese people, JFEs and Japanese products face opposition in China, which requires JFEs to shoulder more social responsibilities. Only by doing so can JFEs build up a good corporate image and reduce opposition to them and their products in the Chinese market. Therefore, JFEs—especially JFEs in the manufacturing industry—tend to

shoulder more social responsibilities, so that they form quite an obvious organizational ethical climate of social responsibility.

The reason why friendship-efficiency style organizational ethical climate exists in JFEs in China's manufacturing industry can be explained as follows. Firstly, in China, a JFE plays the part of an MNC, whose operational attention prioritizes the world dimension. Only by choosing such a dimension can it increase efficiency by adapting and merging into the local culture in transnational operations. Secondly, as a country that traditionally has an employee-oriented corporate culture, Japan will always put their people in leading and managerial positions in an enterprise, no matter what region that enterprise is in. Previous research has found that leaders play a pivotal role in influencing organizational ethical climates. The formation and development of organizations' ethical standards are significantly influenced by the psychological and behavioral features of their leaders<sup>1</sup>, such as the way they approach problems, their values and ethical standards in managerial practices, their concepts of ethics and non-ethics, their reward/punishment of ethics and non-ethics and their expectations of members. These features reinforce the formation and development of the organization's ethical standards<sup>2</sup>. Grojean has discussed the important function of leaders in shaping ethical climates and values. As his finding reveals, leaders can influence and shape employees' values and ethical behaviors by seven ways. Also, Sim and Brinkman (2002) have described how leaders can shape and strengthen organizational ethical climates.<sup>3</sup> Undoubtedly, leaders import part of their cultural philosophies into the local corporate culture. As a result, caring can be observed in their corporate culture. So, it makes sense that the caring-efficiency style of organizational ethical climate exists in JFEs in China.

### **3.1.2. The main types of organizational commitment in JFMEs**

As summarized above, there are three kinds of organizational ethical climates in JFEs in China's manufacturing industry: the Golden Mean style, the social responsibility style and the friendship-efficiency style. Firstly, the Golden Mean style is closely related to the Chinese national philosophy of Golden Mean and the Japanese managerial culture of

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<sup>1</sup> Yanfei Wang, Yu Zhu. An Overview of Innovative Climate in Foreign Organizations [J]. *Foreign Economics & Management*, 2005, 27(8): 26–32.

<sup>2</sup> Yanfei Wang, Yu Zhu. An Overview of Innovative Climate in Foreign Organizations [J]. *Foreign Economics & Management*, 2005, 27(8): 26–32.

<sup>3</sup> Brinkman R. L., Brinkman J. E. Corporate power and the globalization process [J]. *International Journal of Social Economics*, 2002, 29(9):730–752.

staff-orientation. As a result, JFEs in China eventually form a Golden Mean style organizational ethical climate. Secondly, the social responsibility style is closely related to the Sino-Japanese relationship. Due to historical reasons, Japanese enterprises often face opposition in China, especially opposition to their products. For their long-term sustainable development in China, JFEs must shoulder more social responsibilities and pay special attention to building up their corporate image. As a result, JFEs in China eventually form a social responsibility style organizational ethical climate. Thirdly, the friendship-efficiency style is closely related to the mission of Japanese MNCs.

There are two typical kinds of organizational commitment in JFEs in China's manufacturing industry: normative organizational commitment and economic organizational commitment. Both commitments are closely related to the reality in China and the organizational ethical climate in JFEs in China's manufacturing industry. In other words, such climates are influencing the organizational commitment and sense of belonging of employees.

### **3.1.3. The relationship between organizational ethical climate and organizational commitment and job performance in JFEs in China's manufacturing industry**

*Golden Mean style organizational ethics, normative commitment and job performance*

Though the path coefficient of Golden Mean style organizational ethical climate and job performance is as high as 0.82, two effects are found through the SEM structural equation in the influence of Golden Mean style organizational ethical climate on job performance in two paths: one between Golden Mean style organizational ethical climate and job performance, the other between normative commitment and job performance. In other words, Golden Mean style organizational ethical climate has a direct influence on job performance, but it also has an indirect influence through organizational commitment, therefore Golden Mean style organizational ethical climate is an embodiment of the interest of both employees and the organization. It focuses on friendship of employees and team building, which is conducive to cultivating their enthusiasm, and thus it enhances job performance.

*Social responsibility style organizational ethics, normative commitment and job performance*

Two effects are found through the SEM structural equation in the influence of social responsibility style organizational ethical climate on job performance in two paths: one between social responsibility style organizational ethical climate and job performance,

the other between normative commitment and job performance. In other words, social responsibility style organizational ethical climate has a direct influence on job performance, but it also has an indirect influence through organizational commitment.

It is very important to investigate the relationship between social responsibility and business performance, especially because some people worry that shouldering social responsibilities harms business performance. They believe that shouldering social responsibilities gains less than it costs, and the extra cost deals damage to the short-term interest of the organization. However, this is actually not true, because the social responsibilities shouldered competently are equal to investment. Although the business performance suffers from short-term sacrifice, it gains more than enough to repay the extra cost in the long term, since such investment improves the public image of the organization and attracts more talent. In this sense, to benefit others is to benefit the organization itself. Moreover, most studies have found a positive correlation between social responsibility engagement of organizations and business performance.

#### *Friendship-efficiency style organizational ethics, normative commitment and job performance*

The path coefficient of friendship-efficiency style organizational ethical climate and job performance is 0.27. Two effects are found through the SEM structural equation in the influence of friendship-efficiency style organizational ethical climate on job performance in two paths: one between friendship-efficiency style organizational ethical climate and job performance, the other between normative commitment and job performance. In other words, friendship-efficiency style organizational ethical climate has a direct influence on job performance, but it also has an indirect influence through organizational commitment.

#### *Golden Mean style organizational ethics, economic commitment and job performance*

A Golden Mean style organizational ethical climate includes caring and instrumental climates. A caring climate pays attention to the wellbeing of every employee. The departments in the organization interact with the employees in a caring/benevolent organizational ethical climate. An instrumental climate is a climate that is benchmarked by individualism in which the employees pursue self-interest. If employees all take the principle of self-interest to the extreme, they will neglect organizational interest. Then, there would be almost no ethical bound for their behaviors, and it would be no surprise for them to conduct unethical behaviors out of self-interest. Therefore, Golden Mean style organizational ethical climate exerts a weak influence on economic commitment, and ultimately, it cannot exert influence on job performance through economic

commitment. In conclusion, Golden Mean style organizational ethical climate exerts only a direct influence on job performance.

#### *Social responsibility style organizational ethical climate, economic commitment and job performance*

Two effects are found through the SEM structural equation in the influence of social responsibility style organizational ethical climate on job performance in two paths: one between social responsibility style organizational ethical climate and job performance, the other between economic commitment and job performance. As is observed, neither path is obvious, so there is no causal link between the two. However, the path between social responsibility style organizational ethical climate and job performance is obvious. In addition, another obvious path runs between social responsibility style organizational ethical climate and economic commitment.

#### *Friendship-efficiency style organizational ethical climate, economic commitment and job performance*

Certain significance can be seen in the path coefficient of friendship-efficiency style organizational ethical climate and economic commitment, indicating that most organization members are able to perceive, in aspects of profit efficiency and friendship, the ethical climate of their organization. The organization is concerned with not only the profits it earns, but also the improvement of social efficiency. As development and efficiency are both taken into its consideration, it is indicated that JFEs that are influenced by the environment in China have formed an ethical climate that has profit and efficiency as well as humanism. When an enterprise is forming its ethical climate, managers should pay attention to the caring and understanding of their employees, including considering their needs and building up promising spaces for their development. Forming such caring climates improves job performance.

## **3.2. Major Contributions and Further Studies**

### **3.2.1 Major contributions**

Past studies of organizational ethical climate, organizational commitment and so on focused mainly on perspectives like ethics, management, psychology, philosophy and sociology. However, there are few studies that investigate organizational ethics in the view of economic ethics. This study tries to investigate organizational ethical climate from the perspective of economic ethics and address the results through theories and knowledge in economic ethics and thus propose different perspectives for the same question.

JFEs in China's manufacturing industry have been measured on ethical climate, organizational commitment and job performance. The results indicate some differences in those three, mainly due to the corporate management that bridges the culture of the two countries. In this study, three organizational ethical climates have been found: Golden Mean style organizational ethical climate, social responsibility style organizational ethical climate and friendship-efficiency style organizational ethical climate. JFEs in China also share two organizational commitments, namely economic commitment and normative commitment. As for the style of job performance within them, task-based performance is the most prominent.

In addition, in order to make more effective use of these empirical results, this study offers advice on building up a positive organizational ethical climate and, specifically, on what HRM management measures can be taken.

### **3.2.2 Further studies with rooting theory are needed**

This study analyzes organizational commitment and job performance in the context of organizational ethical climate using data collected from questionnaires. The data are discussed and analyzed empirically from the perspective of economic ethics. However, one major flaw in this study is that all the three main factors that are studied are based on previous studies, whose concepts, definitions and questionnaires served as pillars of this study. In fact, the reality might not necessarily be the same as what has been confirmed by these previous studies. If there is a need for organizational ethical climate, organizational commitment and job performance to be defined again, a new questionnaire must be made. Then, the measurement results will show some deviance. Therefore, the above flaws in the conclusion must be addressed by further studies with rooting theory.

The primary task of rooting theory is to establish the substantive theory between macro theory and micro-operational hypothesis (i.e., the theory applicable to a specific time and space), but it does not rule out the construction of a formal theory of universality. However, the formal theory must be based on the substantive theory. Only after data gives birth to substantive theories can formal theories possibly be established. As argued by rooting theory, knowledge comes from accumulation. It is a process of evolution from facts to substantive theories and then formal theories. Constructing formal theories requires a large number of sources of data and some substantial theories functioning as intermediaries. If formal theories are directly constructed from data, the jumping effect would be large enough for loopholes to show up. In addition, formal theories are not necessarily comprised of only a single structure. They can cover many different substantive theories, integrating many different concepts and ideas and

condensing them into a unity that contains richer connotations that can offer explanations for a wide scope of phenomena.

The main idea of analysis in rooting theory is comparison. By comparing data to data and theory to theory, correlations between data and theory can be discovered, and related categories and their attributes can also be found. In this study, this requires in-depth surveys and interviews in JFMEs in China, including their parent companies and branches, to obtain sufficient primary data for comparison. Oftentimes, there are four steps for comparison: 1) Compare data by concept categories. Encode the data and categorize it into as many concept categories as possible, and then compare categories to find attributes for each category. 2) Integrate these related concept categories with their attributes. Compare them, consider their relationships and somehow connect such relationships. 3) Present a preliminary outline of the theory. Determine the connotation and extension of the theory, verify the preliminary theory in the original data again and constantly optimize the existing theory to make it more refined. 4) Give an answer to the research question. Describe the theory in layers about the collected data, concept category, categorical attributes and the relationship between attributes.

The literature has served to broaden our horizons and provide us new concepts and theoretical frameworks for data analysis, but meanwhile, care should be taken that we not abuse past theories. Otherwise, our thinking patterns will be constrained by previous concepts, and we will intentionally or unintentionally incorporate inappropriate theories into our data. In other words, it would be unwise for us to mechanically apply theories instead of using theories according to actual circumstances.

Therefore, in order to better understand the types of organizational ethical climate in JFMEs and the reasons behind these climates, as well as their influences on organizational commitment and job performance, we must conduct a deeper investigation into JFMEs in China, including their parent companies and branches, by making experiential field explorations. After that, we must look into the collected data through rooting theory, so as to make an in-depth study about the above questions.

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