

Chapter 4

Investigating the Impact of Ethical Organizational Culture on Employee Retention


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ABSTRACT

Employee retention remains a critical challenge in the hospitality sector, where high turnover can undermine service quality and organizational performance. This study investigates the influence of ethical culture on employee retention by examining four key dimensions: ethical leadership, perceived fairness and justice, ethical policies

DOI: 10.4018/979-8-2600-0610-8.ch004

and enforcement, and corporate social responsibility (CSR) toward employees. A structured questionnaire was administered to 118 employees across hotels and travel agencies, and data were analyzed using multiple regression techniques. The findings confirm all four hypotheses, demonstrating that ethical leadership, fairness and justice, ethical policies, and CSR significantly and positively affect employees' intentions to remain in their organization. These results highlight the strategic role of ethical culture in fostering workforce stability and enhancing organizational performance. The study provides practical guidance for hospitality managers to strengthen ethical practices, implement fair policies, and engage in CSR initiatives that increase employee commitment.

INTRODUCTION

Employee retention has become a critical concern for organizations worldwide, particularly in dynamic and competitive sectors such as hospitality, insurance, and retail. High turnover rates not only impose financial costs but also disrupt organizational knowledge, team cohesion, and service quality (Kangas et al., 2018; Erdilek Karabay et al., 2018). Yasin (2021) emphasizes that issues such as employee turnover, the need to maintain a positive corporate image, and ethical breaches in the business environment require leaders to carry out their responsibilities with a heightened sense of accountability. Prior research highlights that ethical and organizational culture play a pivotal role in shaping employee attitudes, engagement, and intentions to remain in an organization (Kaptein, 2008; Ruiz-Palomino et al., 2013; Almerri, 2023). Ethical culture, encompassing virtues such as congruency of management, discussability, and sanctionability, has been shown to reduce managerial turnover and enhance employees' willingness to stay (Kangas et al., 2018; Kaptein, 2008). Conversely, unethical cultures foster deviant behaviors among employees and managers, undermining trust and organizational commitment (Erdilek Karabay et al., 2018). These findings underscore the strategic importance of cultivating an ethical work environment to retain talent and sustain organizational performance.

Beyond ethical culture, other organizational constructs such as “emotional intelligence” (EI), leadership effectiveness, and “corporate social responsibility” (CSR) have also been linked to retention and engagement outcomes (Chandra et al., 2023; Jarkovská & Jarkovská, 2022; Kim et al., 2020; Mahanta & Goswami, 2020; Vali, 2025). EI strengthens leadership communication and decision-making, influencing employee satisfaction and engagement (Vali, 2025; Mahanta & Goswami, 2020). CSR initiatives, when perceived as authentic, increase organizational identification and enhance quality-of-work-life, ultimately fostering employees' intentions to stay (Kim et al., 2020; Chandra et al., 2023). Further, person-organization fit, mediated

by organizational identification, can significantly impact millennials' retention and word-of-mouth recommendations, highlighting the generational nuances in workplace attachment (Dechawatanapaisal, 2020). Finally, organizational culture, including dimensions such as teamwork, adaptability, communication, and leadership, mediates the effectiveness of change management strategies, improves job satisfaction, and encourages employees to remain in the organization (Tawil et al., 2026; Upasna & Arora, 2025; Reznik et al., 2025; Almerri, 2023). These investigations suggest that employee retention is influenced by interplay of ethical norms, organizational practices, ethical leadership, leadership competencies, CSR, and broader employee experiences (Nejati et al., 2021; Mouloudj et al., 2025; Ruiz-Palomino et al., 2013).

This study investigates how ethical culture shapes employees' intentions to remain in the hospitality sector by focusing on four key dimensions: ethical leadership, perceived fairness and justice, ethical policies and their enforcement, and CSR toward employees. Specifically, the research seeks to answer the following questions: How does ethical leadership influence employee retention? To what extent does perceived fairness and justice encourage employees to stay? Do clearly defined ethical policies and their consistent enforcement enhance retention intentions? And how does CSR toward employees impact their commitment to remain in the organization? Corresponding to these questions, the study has four main objectives. First, it aims to examine the direct effect of ethical leadership on employee retention. Second, it evaluates the influence of perceived fairness and justice on retention intentions. Third, it investigates the role of ethical policies and their enforcement in fostering employees' willingness to stay. Finally, it explores how CSR initiatives targeting employees contribute to their organizational loyalty. Together, these objectives provide a comprehensive understanding of the mechanisms through which ethical culture can strengthen workforce stability and enhance organizational performance in the hospitality sector.

The rest of the chapter is organized as follows. Section 2 presents the literature review and hypothesis development, synthesizing prior research on ethical culture, organizational culture and employee retention, and providing a rationale for the study hypotheses. Section 3 details the research methodology, including the study population and sample, and measurement instruments. Section 4 reports the results, including descriptive statistics, reliability analysis, and tests of the hypothesized relationships. Section 5 provides a discussion of the findings, limitations, and directions for future research. Finally, Section 6 concludes the chapter, highlighting key conclusions and practical implications.

THEORETICAL BACKGROUND AND HYPOTHESES DEVELOPMENT

Ethical Organizational Culture

Ethical organizational culture (EOC) is increasingly recognized as a critical determinant of organizational effectiveness, employee well-being, and sustainable performance (Vu Lan Oanh et al., 2024). It encompasses both formal and informal norms, values, and practices that guide behavior within organizations, thereby shaping employees' perceptions of fairness, transparency, and accountability (Toro-Arias et al., 2022; Eden, 2024). Within this context, ethical leaders play a pivotal role in cultivating and sustaining ethical cultures by modeling integrity, fairness, and responsibility. Such leadership behaviors influence organizational decision-making processes, strengthen trust, and contribute to the development of a positive organizational climate (Kim & Lee, 2024; Alkhadra et al., 2023; Şengüllendi et al., 2024). Through consistent ethical role modeling, ethical culture is reinforced across hierarchical levels, fostering collaboration, employee engagement, and long-term organizational commitment (Riivari & Heikkinen, 2024; Blom & Curseu, 2025).

Ethical organizational culture refers to “the ethical quality of a work environment, incorporating the experiences, presumptions, and expectations of the organization’s members as to how the organization can prevent unethical behavior and encourage ethicality” (Kangas et al., 2018). This definition highlights that EOC extends beyond formal codes and written policies, representing a dynamic interaction between organizational structures, leadership practices, and employee perceptions. Such interaction promotes ethical conduct while discouraging favoritism, bias, and cronyism within organizational settings (Khraim, 2025). Empirical research consistently shows that organizations characterized by strong ethical cultures report higher levels of psychological safety, employee engagement, and innovative behavior, as supportive leadership and informal ethical interventions reinforce shared norms across teams (Blom & Curseu, 2025; Şengüllendi et al., 2024). Moreover, aligning ethical leadership with organizational values enhances both performance outcomes and CSR, positioning ethical culture as a foundational mechanism linking leadership practices, organizational systems, and sustainable competitiveness (Alkhadra et al., 2023; Kim & Lee, 2024; Muchowe et al., 2025). Therefore, these insights underscore that cultivating an ethical organizational culture is essential for building resilient, fair, and high-performing workplaces and provides a solid theoretical foundation for examining its influence on employee retention.

Employee Retention

Employee retention has emerged as a strategic priority for organizations across industries, particularly in service-intensive sectors where human capital constitutes a primary source of competitive advantage (Mouloudj et al., 2025). Retention refers to an organization's ability to sustain long-term employment relationships by fostering conditions that motivate employees to remain and grow within the organization rather than pursue alternative opportunities (Li et al., 2022; Nejati et al., 2021). Prior research consistently conceptualizes retention as a multidimensional phenomenon shaped by economic, psychological, and social factors rather than a single determinant. Compensation remains a fundamental driver, as employees who perceive their pay and benefits as fair and competitive demonstrate a stronger intention to stay (Sorn et al., 2023; Zainal et al., 2022). However, extensive empirical evidence suggests that compensation alone is insufficient to ensure sustained retention, particularly in demanding and dynamic work environments. Ibrahim and Mayende (2018) found that job resources collectively act as a partial mediator in the relationship between ethical leadership and employee retention.

Employees increasingly assess their employment experiences holistically, incorporating job satisfaction, recognition, career development opportunities, and work-life balance into their decisions to remain with an organization (Sorn et al., 2023; Enamala & Reddy, 2022). This complexity necessitates integrated retention strategies that address both extrinsic and intrinsic employee needs. In service-oriented contexts such as hospitality, retention challenges are further exacerbated by emotional labor, irregular working hours, and high turnover norms. Ghani et al. (2022) argue that retention in hospitality is closely linked to employee satisfaction, which is influenced by sustainable work environments, transparent communication, career growth opportunities, and effective recruitment and selection practices. Additionally, generational differences shape retention dynamics, as employees across cohorts respond differently to leadership styles, autonomy, CSR, and work-life balance initiatives (Lee et al., 2022). Nevertheless, intrinsic motivation consistently demonstrates a strong positive relationship with retention across generations, indicating that employees are more likely to remain when they experience meaning, respect, and engagement in their roles.

From a talent management perspective, systematic recruitment approaches, careful management of the employee experience, continuous learning and development opportunities, constructive performance appraisals, and ethically grounded HR practices are pivotal in building strong employee commitment and long-term organizational attachment (Mohanty & Kulkarni, 2025; Urme, 2023). In this regard, Mohanty and Kulkarni (2025) emphasize that when organizations deliberately design and manage the employee experience, they create a work environment that enhances

productivity, deepens engagement, and reinforces overall talent management efforts. Such initiatives communicate genuine organizational support for employees' professional development and well-being, thereby nurturing mutual trust and reducing intentions to leave. Evidence from service-sector research further indicates that although pay and reward systems remain important drivers of retention, factors such as a supportive organizational climate and a healthy work–life balance play a decisive role in encouraging employees to remain, especially in times of instability or crisis (e.g., Zainal et al., 2022). These insights highlight that employee retention should be viewed as a strategic outcome emerging from the alignment of fair compensation, ethical leadership, robust talent management practices, and employee-centered organizational policies.

Hypotheses Development

Ethical Leadership

Extensive research underscores the pivotal role of ethical leadership in shaping employees' intentions to remain within organizations (Nejati et al., 2021; Torlak et al., 2021; Vu Lan Oanh et al., 2024). Employees who work under conscientious leaders tend to view them as ethical leaders (Saleh et al., 2022). Nazarian et al. (2022) demonstrate that employees' perceptions of ethical leadership and organizational justice, influenced by national culture, significantly affect turnover intentions, with notable variations across cultural clusters. Similarly, Kayode et al. (2022) show that ethical leadership enhances trust in the organization, which in turn improves service recovery performance and reduces absenteeism, highlighting trust as a key mediating mechanism. Selvakumar (2025) further emphasizes that ethical business cultures characterized by transparency, accountability, and respect foster positive work environments that strengthen organizational commitment and reduce turnover. Evidence from Islamic banking institutions also indicates that embedding moral standards within organizational culture enhances employee responsibility and mitigates turnover intentions (Khoso et al., 2023). Ibrahim and Mayende (2018) reported that both ethical leadership and “job resources” independently serve as significant predictors of staff retention. In the construction sector, Li et al. (2022) found that both work exhaustion and perceived breaches of the psychological contract are positively associated with employees' intentions to leave, while ethical leadership plays a mitigating role by significantly weakening the effects of these factors on turnover intention. Moreover, in the healthcare sector, Jian et al. (2022) demonstrate that ethical leadership significantly reduces employees' likelihood of leaving, with intrinsic motivation, psychological contract fulfillment, and resilience acting as important mediators. Ahmad et al. (2018) demonstrated that ethical leadership plays

a crucial role in strengthening academics' intentions to remain in universities by directly supporting and preserving their "job-related affective well-being". Muchowe et al. (2025) demonstrate that ethical leadership plays a mediating role in the link between the ethical work climate and employee well-being. Therefore, these findings indicate that ethical leadership, through trust-building, moral alignment, and ethical practices, plays a central role in fostering employee retention across diverse sectors. Therefore, the following hypothesis is proposed:

H1: Ethical leadership has a positive and significant effect on employee retention in the hospitality sector.

Fairness and Justice

Organizational justice has been consistently highlighted as a key predictor of employee retention and engagement (Moon, 2017; Perreira et al., 2018). Ghaderi et al. (2023) found that among justice dimensions, "only distributive justice has a strong relationship with job satisfaction", while normative commitment among employees also positively impacted satisfaction, underscoring the importance of fairness perceptions. Similarly, Pimentel et al. (2025) revealed that "organizational justice perceptions negatively correlate with turnover intentions", with resilience partially mediating this relationship in Portuguese hotels, highlighting that justice coupled with employees' ability to cope strengthens retention. Onyango et al. (2022) further confirmed that employee engagement is strongly influenced by organizational justice, noting that "employee engagement was explained by organizational justice at 71.8%", emphasizing the necessity of just practices to enhance commitment. Yasin et al. (2021) demonstrated that the ethical climate serves as a mediator in the relationship between responsible leadership and employees' turnover intentions. Edeh et al. (2025) extended these findings by showing that distributive, procedural, and interactional justice significantly enhances employee well-being, suggesting that justice integration in daily management decisions reduces turnover. Uraon and Kumarasamy (2024) demonstrated that justice perceptions in performance appraisals positively impact job satisfaction and intention to stay, with job engagement mediating these effects. ElAdawi et al. (2024) added that perceptions of injustice increase job insecurity, which in turn amplifies turnover intentions, illustrating the detrimental effects of unfair treatment in hospitality organizations. These studies indicate that perceived fairness and justice not only improve satisfaction, engagement, and well-being but also mitigate turnover, highlighting their central role in employee retention. Therefore, we hypothesized that:

H2: Perceived fairness and justice within the organization positively influence employee retention in the hospitality sector.

Ethical Policies and Code Enforcement

The implementation and enforcement of ethical policies are critical in fostering employee retention within the hospitality sector. Subedi and Bhandari (2025) demonstrate that “employee loyalty acts as a full mediator in the relationship between ethical business practices and employee retention”, emphasizing that consistent ethical policies create a trustworthy environment that strengthens employees’ commitment to the organization. Jarkovská and Jarkovská (2022) further show that CSR, when embedded in organizational practices, positively influences job satisfaction and organizational commitment, thereby lowering turnover intentions, illustrating the broader impact of ethically guided policies on employee behavior. Yasin (2021) confirmed that responsible leadership is strongly and positively associated with the ethical climate, which, in turn, is significantly positively related to the corporate image. Chiboiwa et al. (2025) report that a technology-enhanced ethical work climate can positively strengthen employees’ performance levels. Azhar et al. (2024) highlight that “by developing better employer branding standards, hotels can position themselves as top employers of choice to improve organisational performance,” with ethical policies being an integral component of employer branding that enhances retention through commitment and loyalty. Dimitriou (2022) stresses that in the hotel industry, the absence of ethical leadership and weak ethical climates are associated with decreased employee commitment, while strong ethical leadership combined with enforced policies fosters a positive ethical climate and reinforces employees’ intention to stay. These studies underscore that clearly defined ethical policies and their consistent enforcement cultivate trust, loyalty, and commitment, creating a stable workforce and reducing turnover across diverse hospitality contexts. Therefore, we hypothesized that:

H3: Ethical policies and their enforcement positively affect employee retention in the hospitality sector.

Corporate Social Responsibility (CSR) toward Employees

CSR has emerged as a key strategic mechanism to enhance employee retention in the hospitality sector. Antunes (2023) demonstrates that employees’ perception of CSR significantly influences turnover intention, with affective commitment and job satisfaction acting as mediators, showing that CSR practices “foster employees’ affective commitment and job satisfaction, as well as reducing employee

turnover intention.” Lee et al. (2025) further reveal that various CSR dimensions (“environment-related, human rights and labor, product responsibility, and corporate governance”) positively impact employee retention, while generational differences moderate these effects, suggesting tailored CSR initiatives are critical for engaging diverse employee cohorts. Omidvar et al. (2024) emphasize that integrating ethical, legal, philanthropic, and environmental responsibilities enhances corporate image and service quality, thereby indirectly supporting employee retention. Similarly, Kim et al. (2020) show that ethical and philanthropic CSR dimensions positively influence organizational identification, which in turn enhances higher-order quality-of-work-life and employees’ intention to stay, highlighting the mediating role of organizational identification in CSR–retention relationships. Nejati et al. (2021) found that employees’ perceptions of CSR are negatively associated with their intentions to leave the organization. So, these studies underscore that CSR initiatives not only improve employees’ satisfaction, commitment, and quality-of-work-life but also serve as a strategic lever to retain talent, strengthen organizational loyalty, and sustain workforce stability in the hospitality sector. Therefore, we hypothesized that:

H4: H4: Corporate social responsibility toward employees has a positive and significant effect on employee retention in the hospitality sector.

METHODOLOGY

Sample and Data Collection

The study population comprises employees working in the hospitality sector, including hotels, travel agencies, and related service organizations in Iraq. This sector was selected due to its labor-intensive nature and the critical role of ethical organizational culture in influencing employees’ attitudes and retention decisions. Due to budget constraints and the absence of a clearly defined sampling frame, a non-probability convenience sampling technique was adopted. A total of 200 questionnaires were distributed directly to hospitality employees at their workplaces over a two-month data collection period, beginning on June 15, 2025.

Out of the 200 distributed questionnaires, 133 were returned, representing an initial response rate of 66.5%. After data screening, 15 questionnaires were excluded due to incomplete responses. Consequently, 118 valid questionnaires were retained for analysis, yielding a usable response rate of 59%. Prior to participation, informed verbal consent was obtained from all respondents. Participants were clearly informed that their participation was voluntary, that all responses would remain anonymous and confidential, and that the collected data would be used exclusively for scientific

research purposes. The questionnaire required less than ten minutes to complete, minimizing respondent burden.

Measurement Instrument Design

A structured questionnaire was used as the measurement instrument in this study, with all items assessed using a five-point Likert scale ranging from 1 (“strongly disagree”) to 5 (“strongly agree”). The questionnaire consisted of three sections. The first section collected demographic information, including gender, age group, educational level, and work experience (years). The second section of the questionnaire focused on measuring the four dimensions of ethical culture. Ethical leadership was evaluated using scales adapted from Ahmad et al. (2018) and Ibrahim and Mayende (2018), while fairness and justice were measured based on scales developed by Moon (2017) and Perreira et al. (2018). Ethical Policies and Code Enforcement as well as CSR toward employees were assessed using items derived from Kaptein (2008) and Nejati et al. (2021). The third section captured employees’ retention intentions, which constituted the dependent variable, and was measured through three items adapted from Ahmad et al. (2018) and Mouloudj et al. (2025).

To ensure content validity and clarity, the questionnaire was reviewed by two management experts. The instrument was originally developed in English and translated into Arabic using a back-translation procedure to ensure linguistic accuracy and conceptual equivalence (Alyousuf et al., 2026). A pilot study with 20 respondents from the hospitality sector was conducted to evaluate item clarity and reliability, resulting in minor refinements before the final data collection.

Table 1. Measurement Constructs, Items, and Sources

Constructs and Statement	Sources
<p>1. Ethical Leadership EL1. My supervisor demonstrates honesty and integrity in dealing with employees. EL2. Managers in this organization set a good example of ethical behavior. EL3. Ethical conduct is encouraged and reinforced by leadership in this organization.</p>	<p>Ahmad et al. (2018); Ibrahim and Mayende (2018)</p>
<p>2. Fairness and Justice FJ1. Employees in this organization are treated fairly and without favoritism. FJ2. Decisions regarding promotions and rewards are made in a fair manner. FJ3. Work schedules and task assignments are distributed equitably.</p>	<p>Moon (2017); Perreira et al. (2018)</p>
<p>3. Ethical Policies and Code Enforcement EP1. This organization has clear ethical guidelines that employees are expected to follow. EP2. Ethical rules are consistently enforced across all levels of the organization. EP3. Unethical behavior is taken seriously and addressed appropriately by management.</p>	<p>Kaptein (2008)</p>
<p>4. Corporate Social Responsibility (CSR) toward Employees CSR1. This organization actively cares about employees' health and safety. CSR2. The organization invests in employees' training and professional development. CSR3. This organization supports employees in balancing work and personal life.</p>	<p>Kaptein (2008) ; Nejati et al. (2021)</p>
<p>5. Employee Retention (Dependent Variable) ER1. I intend to continue working for this organization for the foreseeable future. ER2. I rarely think about leaving this organization. ER3. I would prefer to remain with this organization even if offered a similar job elsewhere.</p>	<p>Ahmad et al. (2018); Mouloudj et al. (2025)</p>

Source: Authors' own work

RESULTS

Sample Characteristics

As shown in Table 2, the sample consisted predominantly of male participants (64.4%), while females accounted for 35.6%. Regarding age distribution, most respondents were between 31 and 50 years (64.4%), with smaller proportions in the younger (11.0%) and older (>50 years, 24.6%) categories. In terms of educational background, nearly half of the sample held a bachelor's degree (42.4%), followed by those with a high school diploma or less (36.4%) and a smaller portion with a master's degree or higher (21.2%). Finally, work experience was concentrated among respondents with 5–15 years of professional experience (68.7%), while only 11.9%

had less than five years, and 19.5% had more than 15 years, indicating a sample with substantial practical exposure to the field.

Table 2. Demographic profile (N = 118)

Demographic profile	Categories	n	%
Gender	Male	76	64.40
	Female	42	35.60
Age	18-30 years	13	11.00
	31-40 years	35	29.70
	41-50 years	41	34.70
	> 50 years	29	24.60
Educational level	High school or less	43	36.40
	Bachelor's degree	50	42.40
	Master's degree or above	25	21.20
Work experience	< 5 years	14	11.90
	5-10 years	44	37.30
	11-15 years	37	31.40
	15 > years	23	19.50

Source: Authors' own work

The descriptive statistics indicate that the respondents generally rated the constructs above the mid-point of the 5-point Likert scale, reflecting a moderate-to-high perception across all variables. As shown in Table 3, employee retention ($M = 3.91$, $SD = 0.76$) and ethical leadership ($M = 3.90$, $SD = 0.76$) scored the highest, suggesting that participants perceive strong ethical leadership and effective retention practices within their organizations. Ethical policies and code enforcement ($M = 3.60$, $SD = 0.75$) and fairness and justice ($M = 3.39$, $SD = 0.80$) showed moderate ratings, while CSR ($M = 3.36$, $SD = 0.77$) was rated slightly lower, indicating that CSR initiatives are perceived as moderately implemented. The relatively small standard deviations across constructs suggest a consistent agreement among respondents regarding these organizational factors.

Reliability analysis revealed high internal consistency for all constructs, with Cronbach's alpha values ranging from 0.853 to 0.949, exceeding the commonly accepted threshold of 0.70, which indicates good reliability of the measurement scales (Hair et al., 2017). Skewness and kurtosis values also indicate an acceptable level of normality for all constructs, as the skewness values ranged from -1.54 to -0.97 (which fell within the range from ± 2), showing mild negative skew, and kurtosis values ranged from 0.590 to 2.814, remaining within the acceptable range of ± 7 for

normal distribution (Alyousuf et al., 2026; Mouloudj et al., 2025). This suggests that the data are approximately normally distributed.

Table 3. Descriptive statistics and Cronbach's alphas

Constructs	Mean	Std. Dev.	Cronbach's Alphas	Skewness	Kurtosis
Ethical Leadership	3.90	0.76	0.863	-1.40	2.814
Fairness and Justice	3.39	0.80	0.949	-0.97	0.590
EPCE	3.60	0.75	0.919	-1.09	1.331
CSR	3.36	0.77	0.946	-1.13	1.523
Employee Retention	3.91	0.76	0.853	-1.54	2.681

Note: Ethical Policies and Code Enforcement (EPCE); Corporate social responsibility (CSR).
Source: Authors' own work

The multiple linear regression analysis demonstrates that all four hypothesized relationships are supported, indicating a significant positive impact of the independent variables on employees' intention to remain within the organization. Specifically, ethical leadership showed a strong positive effect ($\beta = 0.355$, $p < 0.001$), suggesting that leaders who demonstrate ethical behavior significantly enhance employees' retention intentions. Fairness and justice also had a positive and significant influence ($\beta = 0.097$, $p = 0.034$), though the effect size was smaller, highlighting the role of equitable treatment in retaining employees. Similarly, ethical policies and code enforcement positively predicted retention ($\beta = 0.166$, $p = 0.009$), emphasizing the importance of formalized ethical practices, while CSR exhibited the strongest effect ($\beta = 0.405$, $p < 0.001$), underlining that socially responsible initiatives significantly contribute to employees' willingness to stay (see Table 4).

Table 4. Multiple linear regression scores

Constructs	β	Sig.	Tolerance	VIF	F	Adjusted R^2
(Constant)	0.234	0.227			101.230	0.774
Ethical Leadership	0.355	0.000	0.40	2.47		
Fairness and Justice	0.097	0.034	0.64	1.55		
EPCE	0.166	0.009	0.49	2.01		
CSR	0.405	0.000	0.47	2.12		

Note: Ethical Policies and Code Enforcement (EPCE); Corporate Social Responsibility (CSR).
Source: Authors' own work

The regression diagnostics suggest no multicollinearity issues, as all VIF values ranged between 1.55 and 2.47, which are well below the common threshold of

5, and tolerance values were above 0.20 (Hair et al., 2017). The model is highly predictive, with $F(4, 113) = 101.230$, $p < 0.001$, and an adjusted R^2 of 0.774, indicating that approximately 77.4% of the variance in employees' retention intentions can be explained by the combination of ethical leadership, fairness and justice, ethical policies and code enforcement, and CSR. Overall, these results confirm the critical role of ethical and socially responsible organizational practices in fostering employee retention.

DISCUSSION

The findings of this study demonstrate that ethical leadership significantly influences employee retention in the hospitality sector. Employees, who perceive their leaders as ethical, demonstrating integrity, honesty, and fairness, are more likely to develop trust and commitment toward the organization (Li et al., 2022; Torlak et al., 2021). Ethical leaders act as role models, establishing norms of behavior that reinforce organizational values and ethical conduct (Vu Lan Oanh et al., 2024). These leaders also create an environment where employees feel respected, supported, and fairly treated, which enhances their sense of belonging and organizational identification (Jian et al., 2022; Muchowe et al., 2025). Saleh et al. (2022) reported that leaders' conscientiousness is positively associated with ethical leadership and negatively linked to employees' intentions to leave the organization. Ahmad et al. (2018) highlight that ethical leadership within universities is particularly important, as it reduces academics' turnover intentions by fostering their well-being in the workplace. Ibrahim and Mayende (2018) emphasize that leaders must demonstrate ethical conduct in their interactions in order to strengthen employee retention within their organizations. Torlak et al. (2021) reported that ethical leadership is positively related to both job satisfaction and affective commitment, while it is negatively associated with turnover intention. In addition, job satisfaction was found to have a significant negative relationship with employees' intentions to leave the organization. Consistent with Kangas et al. (2018) and Kaptein (2008), the study highlights that leadership congruence and ethical modeling reduce intentions to leave, particularly in high-pressure service environments. The presence of ethical leadership not only strengthens employees' emotional attachment but also mitigates turnover driven by dissatisfaction, career challenges, or organizational changes (Ahmad et al., 2018; Jian et al., 2022; Li et al., 2022; Nejati et al., 2021). For hospitality organizations, these results emphasize the importance of training and developing leaders who are

ethically aware and capable of fostering a positive, principled culture that encourages staff to remain committed over the long term.

Perceived fairness and justice emerged as a critical determinant of employee retention. Employees who perceive decision-making processes, reward allocation, and interpersonal treatment as fair are more likely to maintain loyalty to the organization. Procedural, distributive, and interactional fairness collectively reinforce trust in management and reduce feelings of inequity or resentment, which are often precursors to turnover (Perreira et al., 2018). The results align with prior studies emphasizing the centrality of fairness in fostering organizational commitment (Mahanta & Goswami, 2020; Almerri, 2023). In the hospitality context, where employees frequently interact with customers and operate under demanding conditions, perceptions of justice can buffer stress and reinforce satisfaction. Saleh et al. (2022) found that ethical climates at the individual level positively influence employees' emotional well-being, which in turn reduces their intentions to leave the organization. Moon (2017) found that distributive and interpersonal justice climates are negatively associated with employee turnover, while distributive, procedural, and interpersonal justice climates are positively linked to organizational performance. By ensuring transparent policies, consistent application of rules, and equitable treatment, organizations can signal to employees that their contributions are valued and respected. Such perceptions strengthen emotional and cognitive bonds with the organization, encouraging employees to remain even when alternative opportunities exist. Consequently, fairness and justice function not only as ethical imperatives but also as strategic tools for retaining talent in service-driven sectors.

Ethical policies and their enforcement also play a significant role in shaping employee retention. Clear codes of ethics, compliance frameworks, and organizational policies provide employees with guidelines for acceptable behavior and create a structured, predictable work environment. The consistent enforcement of these policies signals organizational commitment to integrity and accountability, reducing ambiguity and fostering a culture of trust. This study's findings corroborate Kaptein's (2008) corporate ethical virtues model, which highlights that clarity, feasibility, and sanctionability are essential for cultivating an ethical organizational climate. Yasin (2021) further confirmed that the ethical climate mediates the relationship between responsible leadership and corporate image, while corporate image also serves as a mediator between ethical climate and employees' turnover intentions. Chiboiwa et al. (2025) indicate that an "ethical work climate" fosters employee performance by enhancing job satisfaction, strengthening cognitive capacity, and encouraging organizational citizenship behavior. Yasin et al. (2021) found that responsible leadership is positively linked to the ethical climate, which, in turn, is negatively associated with employees' intentions to leave the organization. Accordingly, employees operating within such environments are more confident that ethical violations are

addressed appropriately, which reduces frustration and perceived organizational risk. In practice, enforcing ethical policies consistently across hierarchical levels strengthens perceptions of fairness, reduces cynicism, and enhances commitment. For the hospitality sector, where employee discretion and judgment are often critical to service delivery, the presence of enforceable ethical policies provides both moral guidance and psychological security, ultimately increasing employees' intentions to stay with the organization.

CSR toward employees was found to positively influence retention, highlighting the importance of organizational practices that prioritize employee well-being and social value. CSR initiatives, such as employee development programs, health and wellness benefits, and community engagement opportunities, signal that the organization values its workforce beyond mere transactional relationships. The findings align with previous research (Chandra et al., 2023; Kim et al., 2020; Nejati et al., 2021), demonstrating that CSR fosters organizational identification and strengthens emotional attachment, which are key drivers of retention. Employees who perceive their organization as socially responsible feel a sense of pride and alignment with organizational values, which enhances their commitment and intention to remain (Jarkovská & Jarkovská, 2022). In the hospitality context, where work demands can be high and turnover costly, CSR initiatives function as both motivational and stabilizing mechanisms. By integrating employee-focused CSR into organizational strategy, management can not only improve loyalty and satisfaction but also reinforce a culture of ethical and supportive practices, creating a sustainable environment that encourages long-term workforce stability.

In summary, the findings of this study underscore that employee retention in the hospitality sector is strongly influenced by the ethical culture of the organization, encompassing ethical leadership, perceived fairness and justice, ethical policies and enforcement, and CSR toward employees. Collectively, these dimensions create an environment of trust, integrity, and support, which fosters organizational commitment and reduces turnover intentions. Theoretically, this study contributes to the literature by integrating multiple facets of ethical culture and empirically demonstrating their direct effects on retention, extending the Corporate Ethical Virtues framework (Kaptein, 2008) into the hospitality context. Practically, the results provide actionable insights for managers and HR practitioners: cultivating ethical leadership, ensuring transparent and fair practices, consistently enforcing ethical policies, and implementing employee-focused CSR initiatives can significantly strengthen workforce stability. By embedding these ethical and supportive practices into organizational strategy, hospitality organizations can enhance employee loyalty, improve job satisfaction, and sustain long-term organizational performance.

LIMITATIONS AND FUTURE RESEARCH

Despite its contributions, this study has several limitations that should be acknowledged. First, the research employed a convenience sampling method within the hospitality sector, which may limit the generalizability of the findings to other industries or geographic contexts. The sample size, while adequate for regression analysis, was relatively small, and the majority of respondents came from hotels and travel agencies in a specific region, which may not fully capture broader organizational dynamics. Second, the study relied on self-reported data, which introduces the possibility of common method bias and social desirability effects, particularly when assessing ethical culture and employee retention intentions. Third, the research focused exclusively on four dimensions of ethical culture, omitting other potentially influential factors such as leadership style nuances, organizational justice facets beyond fairness, or broader CSR practices. Finally, the cross-sectional design of the study limits the ability to draw causal inferences, as perceptions and intentions were captured at a single point in time rather than longitudinally.

Future research can address these limitations in several ways. Expanding the study to include multiple sectors, countries, or cultural contexts would enhance the external validity of the findings. Longitudinal studies could provide deeper insights into causal relationships between ethical culture dimensions and employee retention over time. Researchers could also integrate additional mediators or moderators, such as employee engagement, organizational identification, or psychological safety, to better understand the mechanisms through which ethical culture influences retention. Moreover, qualitative studies, including interviews or focus groups, could complement quantitative findings by exploring employees' lived experiences and perceptions in greater depth. Finally, future research could examine the interplay between ethical culture, leadership effectiveness, and CSR in shaping retention, thereby providing a more holistic understanding of sustainable workforce management in hospitality and other service sectors.

CONCLUSION

This study investigated how specific dimensions of ethical culture, “ethical leadership, perceived fairness and justice, ethical policies and enforcement, and CSR toward employees”, affect employee retention in the hospitality sector. The findings confirm that each of these dimensions positively and significantly influences employees' intentions to remain with their organization, addressing the study's research questions regarding the role of ethical culture in retention. Ethical leadership was shown to foster trust and commitment by modeling integrity and reinforcing organi-

zational values. Perceptions of fairness and justice enhanced employees' emotional attachment by ensuring equitable treatment and transparent decision-making. Clear ethical policies and consistent enforcement provided structure and predictability, reducing ambiguity and reinforcing a principled work environment. Finally, CSR initiatives targeting employees strengthened organizational identification and loyalty, signaling that the organization values and supports its workforce.

From a practical standpoint, the study offers actionable recommendations for hospitality managers and HR practitioners. Organizations should invest in ethical leadership development programs to cultivate leaders who model integrity, fairness, and accountability. Ensuring transparent and equitable policies across all levels, and consistently enforcing ethical codes, can strengthen trust and reduce turnover. Integrating employee-centered CSR initiatives, such as professional development, wellness programs, and recognition schemes, can enhance organizational identification and loyalty. By aligning ethical practices with organizational strategy, hospitality firms can improve job satisfaction, reduce attrition, and build a positive organizational reputation that attracts and retains talented employees. Future research may expand these insights across other sectors, cultural contexts, and longitudinal frameworks to further validate and refine strategies for ethical workforce management.

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KEY TERMS AND DEFINITIONS

Corporate Social Responsibility: An organization's voluntary commitment to operate in ways that contribute positively to society and the environment, beyond its core profit-making activities.

Employee Retention: The ability of an organization to maintain a stable workforce by encouraging employees to remain over time. It involves creating conditions that reduce turnover and strengthen employees' commitment and satisfaction.

Ethical Culture: The shared values, norms, and practices within an organization that guide responsible and morally sound behavior. It shapes how decisions are made and how employees interact with one another and external stakeholders.

Ethical Leadership: A leadership approach characterized by integrity, transparency, and fairness in decision-making. Ethical leaders model appropriate conduct, promote accountability, and foster trust within the organization.

Fairness And Justice: The principle of treating individuals with impartiality, consistency, and respect in organizational processes and outcomes. It encompasses equitable decision-making, transparent policies, and the protection of employees' rights.