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## Unmasking the ripple effect of Inclusive HR practices – A perspective on Organizational ethical climate

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Business ethics is an oft researched and debated topic both from the academic (Byrne, 2011) and business perspective. Business ethics and corporate governance are intricately interwoven and have a notable effect on the financial performance of the organization. (Rodriguez-Fernandez, M. 2016). There is a transformation in the expectations of the stakeholders (employees, customers, suppliers, investors) from the organizations they are associated with. They wish to interact with organizations that are ethical and responsible. (Báez, A. B et al 2018). Organizations that are concerned with an ethical score and interested in complying with legal requirements oblige and try to be diverse. Similarly, CSR is perceived as a management tool that contributes beyond achieving economic objectives and as a catalyst to be valued by the stakeholders in society. (Prandi and Lozano, 2011; Mullerat, 2011). In response to the growing demand for transparency and ethical behavior in business by the stakeholders, countries are framing new laws or amending the existing laws accordingly. (Rodriguez-Fernandez, M. 2016).

Scandals have been a part of business world for a very long time. To understand the ethical state of organizations today, details were collected about the scandals that happened in the last decade. The unethical practices vary from financial fraudulent activities, Poor quality products, employee discrimination, exploitation of labour, sexual harassment & Misconduct, and data breach and privacy issues. #MeToo movement stood tall and strong and created a wave across nations. It permeated and affected all sectors, countries, industries and companies. Several prominent and powerful men were accused in the movement and the list is never ending. Several companies such as Turing Pharma and Wells Fargo indulged in financial scams to benefit themselves. Companies such as Amazon, Google, We Work, Zenefits and Tesla (the top brands) were reported to have Toxic culture that is unfriendly to its employees. Uber, Disney, Zara and Amazon has been brought to line for its poor working conditions. Organisations such as Uber, Zenefits, and Google has been named in sexual misconduct and allegations. Top Companies like Volkswagen, Takata and Boeing have cheated their customers with poor quality products resulting in several deaths and millions of losses to its customers. (Dans, E 2020) The above scams reveal that 70% of the issues discussed above are related to diversity and inclusion. This link between inclusion and unethical practices by organisations has gained the attention of the researcher and hence the study was propelled.

In the last two decades, board diversity or composition of the board members has gained significant notice. (Davies 2011; Rhode & Packer 2010). Board diversity is acknowledged as a measure of fairness and directly relates to corporate governance and the ethical score of an organization. Several researchers have drawn a linkage between corporate board diversity and financial performance (Buse, K., et al 2016, Fan 2012, Jukizaerma & Sori, 2012). The presence of women on the corporate board is found to have a positive consequence on operating performance (Alabade J O, 2016). Evidence also supports the relationship between increased diversity management and the financial position of the organization. (Kakabadse et al.2015). Inclusive HR Practices in Organizations, value employees for their uniqueness and create a culture which gives every employee a sense of belongingness. This unique inclusive culture promotes positive outcomes (Shore et al 2011) which causes a cascading effect across the organization. Management policies especially human resources management influence views of procedural transparency and casts a positive image on the entire organization (Wu and Chaturvedi 2009).

This paper puts forth an argument that Inclusive Human resource practices will generate or propel a perception of procedural justice and thereby result in a positive perception of governance or ethical climate of an organization. The paper presents the transformation of diversity to inclusion and discusses the consequences of effectively managing inclusion in organizations through its HR practices. This review, in particular, evaluates theoretical and empirical literature related to the influence of Diversity & inclusion practices in Organisations to establish missing links between inclusive HR practices and perception of ethical climate.

## Diversity

With Globalization, mobility of the workforce, and change in societal demography, diversity issues have increased at the workplace (Cole, B. M., & Salimath, M. S. 2013; Gita P C, 2017). Diversity at the workplace is based not only on age, gender, and race but also on racial/ ethical differences, physical and mental capabilities, sexual orientation, language, and other such differences. (Gita, P. C., & Thenmozhi, R. 2017). Diversity denotes differences in individuals on any feature or attribute that creates a perception that they are not alike (Mannix & Neale 2005). In a study, done by Labelle R et al (2010), the consequence of Governance on business ethics was studied. In the above research, Governance was measured (proxied) by diversity management and financial reporting quality. So, it can be surmised that Diversity management in an organization is a measure of Governance.

## Implications of Diversity Management in Organizations

Valuing diversity in Organizations ropes in lot of benefits to all the stakeholders. Diversity management initiatives are implemented with the intention to motivate the diverse workforce and enable them to improve their performance. (Choi & Rainey, 2010; Pitts, 2009). If these practices are not managed effectively, it may lead to poor performance and employee dissatisfaction. (Sabattini & Crosby, 2008; Tower & Alkadry). A diverse workforce is seen as a competitive benefit as it (diverse workforce) is a replica of the customers, society, and stakeholder composition in the external environment. Diversity management is found to have a positive consequence on minorities and their performance (Pitts 2009). It positively impacts the productivity and commitment of employees (Ely 2004). Valuing diversity in organizations ensures the right choice and is based on deontological approach based on universal values and goodwill. Diversity in Organization results in multiple benefits and if organizations engage in diversity practices based on positive outcomes, it is a utilitarian approach. Though it can be argued that both the approaches are contradictory to one another, both deontological and utilitarian approach are the reasons why diversity has been embraced by organizations.

Several studies have also shown diversity to have no impact or negative effect on performance (Foldy 2004). The reason for low performance could also be due to the heterogeneity of employees and the longer time taken to become cohesive and cooperative in groups. It was also reported that diverse employees were excluded from certain information, organizational resources, and decision making. (Choi & Rainey 2010). Treating all employees alike as a part of diversity management would be detrimental as

this goes against the basic principle of diversity which is uniqueness and individuality. (Farndale et al 2015). Diversity in board with outside members has supported protecting the interests of stakeholders and in improving firms' performance. (Combs et al 2007). Women board members supported firm valuation and performance resulting in their commitment to ethical standards and corporate social responsibility. (Morehead Dworkin, T., & Schipani, C. A. 2018). Board diversity impacted governance practices and this impact is observed differently based on gender, age, and racial diversity (Buse, K., Bernstein, R. S., & Bilimoria, D. 2016)

Organizations have understood the importance of diverse force and also the need to manage them effectively. This lead to the concept Diversity management which was introduced by Thomas in the year 1990. Diversity management enabled employees to attain their maximum potential in pursuit of organizational goals and objectives. Ivancevich and Gilbert (2000) defined diversity management as " the systematic and planned commitment by organizations to recruit, retain, reward, and promote a heterogeneous mix of employees" Diversity management was seen as a multifaceted approach (Pitts 2006) to successfully engage and value employees at the workplace. Diversity by itself does not create problems but the challenge lies in assimilating and in utilizing a diverse workforce towards achieving organizational goals (Sabharwal M 2014).

## Diversity Identity Management

To manage diversity effectively in organizations, various formal and informal mechanisms were initiated which includes diversity identity management. Diversity identity management is defined as "Including but not limiting to the voluntary communication of diversity beliefs to stakeholders as well as the implementation of internal diversity programs and policies". Cole, B. M., & Salimath, M. S. (2013). Diversity identity management addresses diversity issues from a broader perspective and concerns mostly on the internal policies, procedures, and actions of the organization towards diversity (Ivancevich and Gilbert 2000). If diversity management is implemented with a focus on the bottom-line it would backfire (Pless and Maak 2004). Employees would react negatively in the above context defeating the sole purpose of diversity management (Dass & Parker 1999)

## The Origin of Inclusion:

But there was a rising consensus that diversity management should have a transition from a passive state of valuing diversity to an active state of an inclusive work environment (Groeneveld & Verbeek 2012). Equal employment opportunity and affirmative action and similar laws across the globe have enabled a diverse workforce, but it has not translated into creating an inclusive environment wherein the potential of employees is realized. (Mor Bark 2011). Diversity and inclusion are two dissimilar but overlapping concepts (Roberson 2006). Diversity management acts as a precursor for creating inclusive work environments. The meaning of inclusion focuses on the degree of acceptance by others at workplace (O-Hara et al 1994) and to the extent he is considered an insider in the organization (Schein 1971; Pelled LH et al 1999).

Inclusion extends beyond diversity management in valuing the differences or uniqueness in employees and ensures a synergistic outcome that benefits all stakeholders in the organization (Pless & Mark 2004). In the inclusionary approach, Organisations do not focus on compliance measures by targeting a particular group of individuals. In an inclusive environment, employers recognize that each individual is unique and has the ability to contribute to the growth of the organization. Such inclusive organizations treat their employees as assets and use a synergistic approach to decision making and problem-solving (Sabattini & Crosby, 2008). The Inclusion initiatives focus on removing obstacles to drive performance from its employees (Mor-barak & Cherin 1998; Roberson 2006). Inclusive Organisation engages its employees positively, builds a vision and strategy for inclusion, creates a transparent environment, sense of belongingness and promotes open communication (Ryan & Kossek 2008; Stewart & Johnson, 2009).

Theories such as social identity theory (Tajfel, 2010), social comparison theory (Mullen & Goethals, 1987), and optimal distinctiveness theory (ODT; Brewer, 1991) have thrown light on inclusion in

organizations. Social identity theory is premised on the need of belongingness to a social group. A member of a group feels a sense of belongingness and self-esteem which divides people into in groups and out groups. (Tajfel, 2010). Diverse minority employees feel a part of out-groups which is a pitfall of non-inclusive organizations. In Organizations practicing inclusivity, such barriers are eliminated which results in positive outcomes for the organization. According to social comparison theory, members of a group compare one another to evaluate themselves against the other. This constant comparison results in perception of exclusion and inclusion among members. (Mullen & Goethals, 1987). In inclusive organizations, they are encouraged to be unique and different from the other. As a result of which they do not feel insecure or marginalized as comparison is no more possible in inclusive organizations. Optimal distinctiveness theory propagates the need for some commonality with others and at the same time, the need to be unique and one's own self. (Brewer, 1991). This need of an employee to be a part of the group and at the same time to be unique is the foundation of inclusivity in organizations. (Shore et al 2011)

According to Mor- Barak 2015, managing inclusion in organizations is a two-stage process. The first stage is often reactive which includes measures and initiatives' (especially recruitment and selection policies) to make the workforce in organizations diverse. The second stage is a conscious effort from the management and HR department that involves instituting policies and processes to make the diverse employees feel valued and engenders a sense of belongingness.

### **Advantages of an inclusive organization**

When an organization practices inclusion, it brings along a lot of benefits to its employees, stakeholders, and the bottom-line of the organization. Perception of inclusion at the workplace assures job commitment and productivity (Shore et al., 2011; Stewart & Johnson, 2009). As employees are diverse, with unique capabilities and skills, it ultimately transforms the organization as high performing and successful (Miller 1998). Shore et al accentuates the above argument stating that uniqueness and belongingness of employees together drive performance, job satisfaction, commitment, organizational citizenship, intention to stay, and overall wellbeing of employees. Inclusive organizations focus on empowering its employees (Sabattini & Crosby, 2008) and creating a result-oriented culture (Choi & Rainey, 2010; Fernandez, 2005) which improves the organizational performance. The significant advantage of inclusiveness is a reduction in employee turnover and absenteeism which is a competitive advantage to organizations today. Horváth, Z. E., Szakács, A., & Szakács, Z. (2018). In a study done in India, Australia, and Vietnam by Ponce-Pura M P (2014) it was confirmed that there was a difference in approach in the way diversity and inclusion were understood and received by companies across the world. The study concluded that context and cultural tradition was essential in bringing about diversity-related initiatives.

### **Perception of Organizational Climate (diversity climate and ethical climate) is the key to success**

Employees' perception of diversity climate has a positive influence on job satisfaction, commitment, loyalty, and interpersonal relations with superiors and co-workers (Wolfson et al 2011). The Organization with employees who perceive high levels of diversity climate report substantially the lowest levels of turnover intentions. This result was also supported by companies that perceive high levels of ethical conduct and values. Stewart, R., et al (2011). The study suggests that ethical climate perception moderates positively the relationship between perceived diversity climate and low turnover intention. Task and relationship conflict is found to reduce in gender diverse groups with high inclusion when compared to gender diverse groups with low inclusion. Employee perception of diversity & inclusion climate plays a vital role in influencing positive employee attitude which in turn translates into behavior and then higher levels of organizational performance. (Kundu, S C & Mor, A. 2017, McMillan-Capehart et al. 2009). The above finding signifies the importance of not only practicing inclusion in organizations but also increase the perception of its employees towards such inclusive HR Practices of the organization. Perceived diversity climate has a positive impact on affective commitment of employees and transformational leadership moderates the relationship (Ashikali, T., & Groeneveld, S. (2015). Building an inclusive environment in organizations is a challenge that can be overcome with the commitment of top

management, respect for diverse thoughts and perspectives, equitable HR policies of the organization (Bendick et al., 2010).

## **The need for HRM initiatives to manage diversity and inclusion in organizations**

Large multinational corporations are dependent on the capability of its human capital and the extent of the person – job – organization fit to effectively steer their organizations towards profitability (McCulloch & Turban, 2007) which falls under the gamut of Human Resource management. The HRM in Organisations should spearhead challenging yet realistic goals for diversity interventions. HRM should adopt an outcome driven approach to reap the fruits of inclusion in organizations (Bassett- Jones 2005). HRM must not only identify and accommodate the individual needs of diverse employees (Wilson, 1997) but create consciously a culture that embraces diversity for organizational competitiveness (Robinson & Harvey, 2008). Fairness, referred to as Organizational Justice is ensured with the implementation of the right HR policies (Cropanzano and Byrne 2001).

Diversity management through HR practices should be viewed as a long-term investment. (Lorbiecki, A. 2001). Adaptation of HR policies and practices to match its local environment is crucial to maintain a fair and unbiased work culture. Schneider and Barsoux (2003). The impetus lies in HRM to develop a strong value statement reflecting the organization's commitment towards prizing diversity and crafting a work climate that enables every employee to reach his or her full potential. Babalola, S. S. (2013). Diversity and employment equality management policy is a component of High-performance work systems which assures the quality of work and productivity in organizations (Armstrong et al 2008). In a study done by Pless N & Maak T 2004, they propose a four-stage transformation process to integrate diversity with inclusion in organizations. The ultimate stage is adapting HR systems and processes to realize and foster inclusion in organizations.

### **The effect of Inclusive HR Practices:**

A study by Boehm, S. A., et al (2014) supported a positive influence of age-inclusive HR practices on age-diversity climate, which is directly associated with overall view of social exchange and indirectly associated to firm performance and employees' collective turnover intentions. The major areas of inclusion in organizations are leadership, education and training, performance and accountability, work-life balance, and career development and planning (Mor Barak 2005). Inclusive HR practices in organizations result in Job Satisfaction. Khan, A. G., et al. (2020).

Organizations that practice inclusive HR recruitment and selection policies must ensure the climate and demographic make-up is conducive for the career progression of such a diverse workforce, else it might result in dysfunctional team processes. Inclusive anti-bullying policies were significantly associated with reduced rate of suicide attempts among lesbian and gay youth. (Day, J. K., et al 2019). Organizational integration and learning approach are a proactive HR strategy that values diversity by creating a conducive environment for learning from one another in organizations. Shore et al (2011) propose that the above approach supports inclusion as it satisfies employees' need for belongingness and uniqueness and upholds ethical values at the workplace. This approach in organizations results in the perception of a positive ethical climate in organizations. (Kaptein 2008)

**Developing a Ripple effect Model of Inclusion in Organizations:** Gagnon and Cornelius 2002 are of the view that systemic changes in HRM are crucial for the holistic integration of diversity. The systemic changes include functions such as recruiting, pay equity, mentoring, career development, and flexible work which nurtures fairness and equity in organizations. (Wentling 1998). Organizations that practice inclusiveness experience small and steady benefits that ripple and encompass all aspects of the organization. A ripple effect occurs when a small initial disturbance to a system, proliferates outward and disturbs an increasingly larger portion of the system like ripples expanding across water when an object is dropped into it. In an organization, Human resource management is the crux, where change originates. The policies and practices initiated by the Human

resource management can be likened to the object being dropped into water. The HR initiatives cause a ripple effect across the organization. This ripple effect of inclusiveness cascades all over the organization and becomes a driver for organizational success. Cole, B. M., & Salimath, M. S. (2013).

### Outcomes of Inclusive HR Practices

Scholars have reported various outcomes of inclusion and inclusive HR practices in organizations. The outcomes may be behavioral (synergistic decision making & problem solving, increased performance, positive engagement, open communication, job commitment, productivity, Job satisfaction, loyalty, organizational citizenship, intention to stay, overall well-being of employees, employee empowerment, low turnover and reduced absenteeism, reduction in task and relationship conflict) or perceptual (transparent environment, sense of belongingness, open culture and positive engagement). The objective of Diversity training is to promote a positive diversity climate that facilitates fair and just interactions between individuals in organizations (Wentling & Palma-Rivas, 1998)

Ethics and Inclusion share a few commonalities (Nelson J K et al 2012). Both concepts deal with fairness and promoting just and equitable treatment of employees at the workplace. (Shore et al (2009). Both the concepts gained the attention of decision-makers and academicians very much later after the introduction of organizational behavior. Weaver & Trevino, 2001 posits that any organization that claims to be ethical is likely to create and increase awareness of its fair treatment in its organization. Business ethics is measured and evaluated using several parameters. The most common parameter at individual level is to analyze the organizational ethical climate. Organizational ethical climate is defined as "shared perception of what is ethically correct behavior and how ethical issues should be handled." (Victor & Cullen 1987). He classifies the moral philosophy into three ethical theories – egoism, benevolence and principle based on which three ethical climates are identified. Based on the ethical climate of an organization, employees perceive it to be egoistic, benevolent or principled. If employees perceive their ethical climate to be egoistic, they approach their ethical dilemmas with an intention to maximize their self-interest. If an employee perceived benevolent ethical climate, he approaches ethical issues with a collective interest. When an employee perceives a principled ethical climate, he approaches ethical dilemma with conformance to codes, rules and laws. Communication plays a significant role in establishing organizational values, norms and codes (Stevens 2008).

Open communication (an outcome of Inclusive HR Practices) is positively associated with principled ethical climates (Parboteeah, K. P, 2010). Managers use communication subtly but effectively embed and transmit organizational ethical values and its expectations to its employees which results in positive ethical climate. (Schein 2004). Empowerment (an outcome of Inclusive Organizational culture) is an effective stimulus that drives positive impact among employees in organizations. Empowerment is the extent to which employees perceive autonomy and independence in their job activities, work context and work roles (Butts et al 2009). Empowered employees determine their work environment and work outcomes (Spreitzer, 1996). Empowered employees sense that they are trusted and valued by their managers (Butts et al 2009). Social exchange theory (Eisenberger et al., 1990) supports an identical claim that empowered employees benefit the organization (benevolent), as they feel favorably treated by the organization and so are more likely to have positive attitudes towards the organization (Addae et al., 2006). Empowerment is positively associated with benevolent ethical climate. (Parboteeah, K. P, 2010).

### Inclusive HR policies and ethical climate

In spite of equality legislation, equal opportunity law and affirmative action laws, discrimination is prevalent in recruitment and selection process. (Shen et al, 2009). When an organization practices inclusion, it consciously eliminates discrimination which results in ethical climate. Inclusive Training Policies and Programs propagates sensitivity towards others, creates an empathetic and respecting environment which results in multiple positive outcomes. Similarly, Inclusive compensation and reward policies of the company ensures and emphasizes fair and unbiased treatment of employees, promotes equality, eliminates gender-based pay inequalities and minority pay inequalities. Inclusion in performance management policies attempts to break the glass ceiling and promotes equal career opportunities to all

diverse groups. The positive outcomes of above HR policies attract talented workforce, promote loyalty, increase commitment and job satisfaction.

Inclusive Leadership is a style of leadership that accepts the uniqueness of all the members. (Nembhard & Edmondson (2006). Such leaders exhibit accessibility, openness and availability to their followers (Carmeli et al 2010). Inclusive leaders empower the employees, improve team performance and overcome the differences among employees. (Mor-Barak 2013). Inclusive leadership positively affects caring ethical climate. Caring ethical climate encourages close interaction between the leader and the members which is supported by social exchange theory. This close interaction promotes open communication, knowledge sharing and a caring relationship between the leader and the members.

**Theories that support the ripple effect model of Inclusion:** Social exchange theory is based on perceived obligation that action will result in a reaction. It is a sociological and psychological theory that observes social interaction of two members. A cost benefit analysis determines mutual exchange between the members. In a social interaction in organization, each employee behaves based on how the other person has behaved. This theory supports the premise that for every positive organizational initiative, there will be a positive behavior from the employees and vice versa. This theory reiterates that Inclusive practices in organizations will reap in benefits, but if not handled effectively it will misfire. This social exchange theory also supports our overall model and links inclusion in organizations and perception of ethical climate.

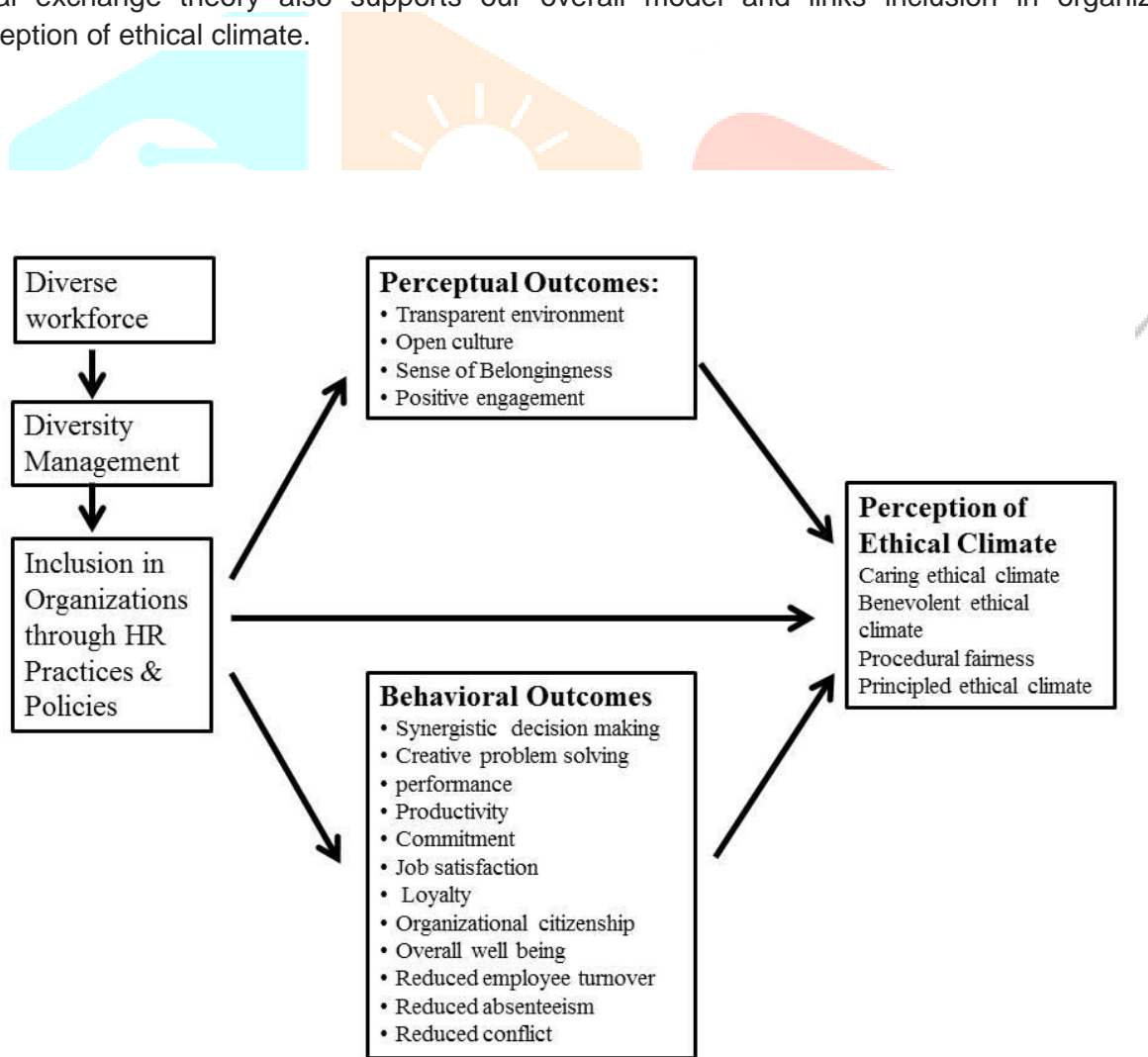


Figure: Ripple effect Model of Inclusion on ethical climate

## Conclusion and Discussion

Organizations exist and survive in a dynamic environment which in turn is influenced by multiple source. The world is no more compartmentalized into continents and countries. An activity in one part of the world influences the entire world irrespective of the geographical location. The widespread impact of the pandemic COVID 19 and its impact on the environment, global corporations, HR practices and policies of companies is an exemplary example of this. Human resource managements in companies have undergone radical transformation especially in the last 3 – 4 decades. Diversity management was adopted by organization due to globalization, mobility of workforce, advancement in technology, changing demography of the workforce and equality laws framed by various countries. Organizations experienced a notable change after implementation of diversity management initiatives but all changes were not positive. Organizations witnessed negative outcomes when diversity was mismanaged. Organizations realized that diversity management is not sufficient to propel a diverse workforce and the concept of inclusion came into picture. Inclusion goes beyond diversity where every employee is made to feel that he / she is valued and their uniqueness and differences are the reason for the success of the organization.

To become inclusive, organizations implemented various HR policies and practices. The HR initiatives focused on inclusion, valuing differences and at the same time emphasized on common goals to achieve organizational objectives. The HR activities that focused on Inclusion are recruitment and selection policies, training programs, performance management policies, compensation and reward management policies. Such policies brought about a change in the perception of the employees and the managers alike. Managers appreciated the differences among the members of the team, encouraged the team members to remain unique but to work towards common goals. This resulted in a new type of leadership known as Inclusive Leadership. The Inclusive recruitment and selection policies focused on attracting a diverse workforce, promised an equal opportunity environment and ensured a career path which suited every employee's personal need. Such practices spread positive vibration among the members of the organization which in turn resulted in job satisfaction, commitment, loyalty and intention to stay. The inclusive training policies and programs ensured high sensitivity towards individuals, reduced discrimination and promoted team cohesiveness which resulted in positive outcomes for the organization and for the employees. The inclusive performance and compensation policies reduced pay inequalities, gender income inequality, though it is still prevalent in organizations. Such policies encouraged positive perception of fairness, procedural justice and reduced employee turnover among diverse groups. Proper implementation of performance management policies reduced glass ceiling for women as well as minorities and created a notion of equality among the workforce and a sense of belongingness for the diverse workforce.

The review indicates that practicing inclusion in organizations has multifold benefits. The proposed ripple effect model of Inclusion on ethical climate suggests an indirect or ripple effect on ethical climate of the organization. The outcomes of inclusive practices in organizations can be classified as behavioral outcomes and perceptual outcomes. Behavioral outcomes are observable and can be quantified whereas perceptual outcomes are qualitative and implicit. Behavioral outcomes according to the study include Synergistic decision making & problem solving, increased performance, positive engagement, open communication, job commitment, productivity, Job satisfaction, loyalty, organizational citizenship, intention to stay, overall well-being of employees, employee empowerment, low turnover and reduced absenteeism, reduction in task and relationship conflict. Perceptual outcomes are transparent environment, sense of belongingness, open culture and positive engagement. The study was unable to discover any direct effect between Inclusive HR practices in organizations and perception of ethical climate. But the study revealed indirect benefits as both behavioral and perceptual outcomes of inclusion had a significant effect on the perception of ethical climate in the organization. This finding is supported by Rabl T et al (2020) who has established a relationship between perceived organizational inclusion efforts and the perceived ethical value of the organization. Inclusive Organizations should also adopt an integrative learning approach to inclusion which is beneficial. The organizations are benefited by the performance measure (beneficial approach) and employees perceive the organization to be fair (ethical approach). Podsiadlowski et al. 2009. This finding is also supported as organizations perceived to be



ethical are also associated with firm performance. (Wu 2002). This study and its findings are a huge motivation for companies to practice inclusiveness in the workplace. The literature also supports the hypothesis that perceived organizational inclusiveness efforts affect employees' judgements about the ethical score of the organization. This perception of ethical score will in turn affect the employees' organizational citizenship behavior. Rabl, T., del Carmen Triana, M., Byun, S. Y., & Bosch, L. (2020).

## Scope for further research

The study has identified several areas for future research. Though both Inclusion and business ethics have been widely recognized and considered significant by organizations worldwide, extensive search of literature did not reveal any single study on the direct effect of inclusion on ethical score or ethical climate of the company. Some literature reported the effect of board diversity on financial performance and organizational efficiency. Though scholars have recognized the importance of procedural fairness, organizational inclusive behavior, studies have not associated the outcome of inclusions and its effect on ethical climate of the organization. A few studies have revealed similar outcomes for both perceived diversity climate and perceived ethical climate. Ethical climate has also been considered as a significant measure in an organization as it is found to have a positive relationship with financial performance, organizational productivity etc. Further research is necessary in the domain of associated domains of inclusion and business ethics. Studies across borders also will also reveal the change in perception of employees towards inclusive practices and ethical climates prevailing in their organizations. Further empirical research on the relationship will accelerate our understanding of Inclusion on ethical climate and this may promote voluntary acceptance of inclusion by organizations.

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