

You Support Diversity, But Are You Ethical? Examining the Interactive Effects of Diversity and Ethical Climate Perceptions on Turnover Intentions

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ABSTRACT. Efforts to identify antecedents of employee turnover are likely to offer value to organizations through money saved on recruitment and new-hire training. The authors utilized the stakeholder perspective to corporate social responsibility to examine the effects of a perceived climate for ethics on the relationship between diversity climate and voluntary turnover intentions. Specifically, they examined how ethics climate (employees' perceptions that their organization values and enforces ethically correct behavior) affected the diversity climate–turnover intentions relationship. Results indicated that ethics climate moderated the diversity climate–turnover intentions relationship. Turnover intentions were lowest among workers perceiving both a pro-diversity and highly ethical climate. These results reinforce the need to communicate both diversity values and ethical standards to employees.

KEY WORDS: diversity climate, ethical climate, turnover intentions, corporate social responsibility

Organizations are interested in employee turnover and its antecedents due to the detrimental effects they can have on important organizational outcomes. For example, employee turnover affects organizations through money spent on exit interviews, administrative expenses, severance pay, recruiting, and training new hires (Holtom et al., 2005; Steel et al., 2002; Tziner and Birati, 1996). One estimate indicates that organizations lose up to \$9,000 when replacing 1-year employees and up to \$47,000 when replacing employees with 3 years tenure (Barkman et al., 1992). More recently, Sagie et al. (2002) found

that 16.5% of a company's before tax income in high-tech firms is lost due to withdrawal behaviors, 27% of which is associated with turnover alone. Owing to these figures, identifying ways to decrease voluntary turnover is critical in protecting organizations from the high costs associated with permanent employee withdrawal. This study utilizes turnover intentions as a proxy for actual turnover behavior. This is consistent with previous researchers' conceptualization of the direct relationship between turnover intentions and turnover behavior (Hom and Griffeth, 1995; Hom et al., 1992; Xiao-Ping et al., 1998), which indicates turnover intentions are the immediate psychological precursor to actual turnover (e.g., Griffeth et al., 2000).

Employees' perceptions of the diversity climate in their workplace are known to have a significant impact on their job attitudes and behaviors. Defined as the "degree to which a firm advocates fair human resource policies and socially integrates underrepresented employees" (McKay et al., 2008, p. 350), this psychological climate exerts an impact on employee job satisfaction, involvement (Hicks-Clarke and Iles, 2000), and performance (e.g., McKay et al., 2008). Owing to the feelings of satisfaction and identification engendered by diversity climate perceptions (James et al., 1990), researchers have established a significant negative association between diversity climate and turnover intentions (McKay et al., 2007).

However, will strong perceptions of a diversity climate alone always engender low turnover intentions? As diversity climate is just one facet of psychological climate, could other employee perceptions augment or weaken the diversity climate–turnover