

Ethical Leadership: A Drive to Success

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Abstract

Recent failure of ethical practices in the organizations shifted the focus of organization towards ethicality and ethical leadership (EL). The question that needed consideration is which factors contribute to the advent and maintenance of EL. This study aims to, firstly identify contextual factor that can influence EL emergence and maintenance. Ethical Culture (EC) based on literature and theory was identified as potential antecedent of ethical leadership. Secondly, it intends to develop and further test a research framework consisting of EC dimensions as antecedents of ethical leadership and employee performance as an outcome. A sample consisted of 369 personnel employed in various hospitals located in the area of Rawalpindi/Islamabad. Hypotheses formulated in the study were supported by the results.

Keywords: Ethical Culture, Ethical Leadership and Employee Performance

Introduction

Researcher (Ahn, Lee, & Yun, 2018) argued that protuberant ethical scandals that have occurred in recent past have tightened the workplace ethical standards and significance of ethical behavior has become more manifest. (Ko, Ma, Bartnik, Haney, & Kang, 2018) argued that in the domain of leadership and ethics in business, EL is considered as one of the popular regions for investigation. Further highlighting antecedents and outcomes of EL, the personality and situational antecedents have been underlined. Interest in identifying and investigating the antecedents, outcomes and processes of EL is emerging (Yukl, Mahsud, Hassan, & Prussia, 2013); (Jordan, Brown, Trevino, & Finkelstein, 2013).

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The current study empirically investigates organizational ethical culture as an antecedent of EL and employee performance (EP) an outcome; EL as a prospective mediator between organizational ethical culture (OEC) and employee performance. Recently researchers investigated outcomes of EL that includes task performance, social loafing, resistance to future change and commitment towards HR-Practices (Byun, Karau, Dai, & Lee, 2018) and (Neves, Almeida, & Velez, 2018) .

Literature Review

Organization Ethical Culture And Ethical Leadership

Based on social learning theory (SLT), EL is defined as "the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making" (Brown, Trevino, & Harrison, 2005) (p. 120). Current research incorporates multi-dimensional ethical culture construct developed by Kaptein (2008). The theory employed is Social Information Processing (SIP) by Salancik and Pfeffer (1978) to discuss the link between organizational culture dimensions and emergence of ethical leadership. Clarity virtue of ethical culture is principally, clearness about the normative expectations about employees behavior, these expectations should be real and understandable (Kaptein, 2008).

Second and third dimension of ethical culture are congruency of management and supervisors, Organizations may instruct coherent normative prospect to direct employee behavior, but if management conduct, as a vital source of normatively appropriate behavior within organizations oppose these expectations, followers are confronted with conflicting signals (Ciulla, 2014); (Trevino, Hartman, & Brown, 2000). Fourth dimension feasibility is the level to which organization enables employees to follow and comply normative expectations, the risk of unethical behavior surges if employees have no chance to comprehend their task and responsibilities; both in terms of financial and non-financial resources (Kaptein, 2008); (Kaptein, 1998). Fifth dimension supportability is the extent to which organization provide support among employee to meet normative expectations (Kaptein, 2008). Sixth dimension transparency is the visibility in the organization (Kaptein, 2008). Kaptein (1998) argued that organizations with increased level of lucidity, workers will be successful in adjusting and correcting their conduct and their co-workers, supervisors, or subordinates behavior as well. Ethical leadership is built on four meta-values namely

transparency, justice, responsibility and humanity (Eisenbeiß & Brodbeck, 2011).

Seventh virtue is discuss-ability, which means employees get achance to raise and discuss ethical concerns and issues (Kaptein, 2008). According to Kaptein (1998) reasons behind unethical behavior were organization's ethical culture with low level of discuss-ability. Kaptein (2008) stated that organization incorporating high level of discuss-ability important concerns like whistle blowing can be addressed; moral issues can be conferred and raised as there will be no fear of being mistreated. According to Kaptein (2008) eighthdimension sanction-ability refers to punishing for unethical behavior and rewarding for ethical conduct, the absence of sanction-ability decreases the effectiveness of norms. According to Roman and Munuera's (2005) empirical findings suggests that more the ethical behavior is recognized and praised, reduces the chance of violation. A weak sanctioning system generates less cooperative behavior (Tenbrunsel, Smith-Crowe, & Umphress, 2003). Relying on SIP theory by Salancik and Pfeffer (1978), individual drawconclusion from work environment, which ultimately influences the attitude and behavior. Thus, it is hypothesized, org ethical culture wilall its eight dimensions will positively and significantly affect emergence of ethical leadership.

H1: Organization ethical culture will positively and significantly affect ethical leadership.

Ethical Leadership And Employee Performance

Ahn, Lee & Yun (2018) and Walmbuwa, Mayer, Wang, Wang, Workman & Christensen (2011) proved in research that ethical leadership is positively and significantly effecting the job performance. According to Hiller, DeChurch, Murase and Doty (2011) emotions of followers are remarkably affected by leaders and leadership.

Social exchange theory (SET) (Blau, 1964) and social learning theory (SLT) (Bandura & Walters, 1977) provides theoretical illustrations for relationship between EL and followers conduct (Brown & Trevino, 2006; Tufail et al., 2016). According to norms of reciprocity in SET (Blau, 1964) one feels compelled to reciprocate valuable behaviors when they perceive that other party is good and fair to them (Brown & Mitchell, 2010).

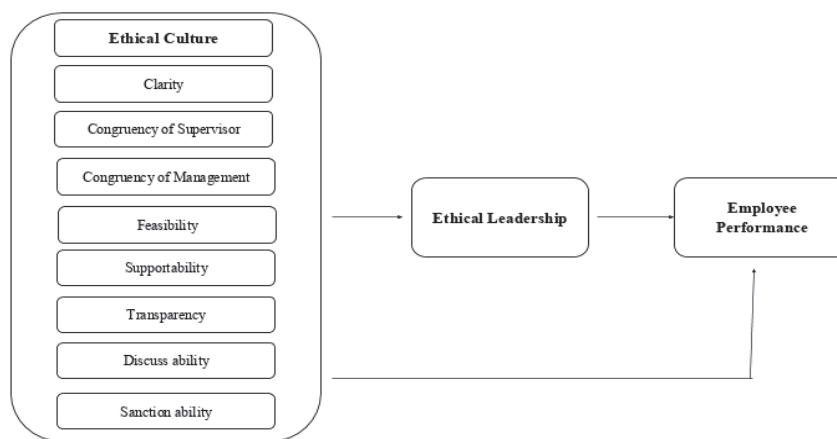
H2: Ethical leadership will positively affect employee performance.

SIP theory (Salancik & Pfeffer, 1978) highlights that how informational cues in organization context lead to the development of attitude and behavior of employees in an organization. Focusing on SLT (Bandura &

Walters, 1977), the individual educate themselves by paying contemplation and imitate the values, attitudes and behavior of attractive and credible role models. Further SLT also explain that when ethical leaders are caring, honest and fair towards followers; so followers try to respond with positive attitude and behavior.

H3: EL will mediate the relationship between organization ethical culture and employee performance.

Theoretical Framework



Methodology

Data was collected from the health sector by using convenience sampling technique through structured questionnaires. Human resources department were contacted. Two set data was collected. Ethical Leadership questionnaire was filled by the immediate subordinates. OEC and employee performance questionnaire was filled by the employees at supervisory positions.

Results And Discussion

The beta values in Table 1, shows the relationships predicted to be positive and significant.

Table 1: Regression Analysis

Predictor	Ethical Leadership		
	β	R^2	ΔR^2
Clarity	.375**	.207	.205
Congruency of supervisor	.338**	.243	.241
Congruency of management	.211**	.121	.119
Feasibility	.120**	.035	.032
Supportability	.345**	.235	.234
Transparency	.147**	.044	.041

Discussability	.405**	.284	.282
Sanctionability	.331**	.210	.200

* $p < .05$ ** $p < .01$ *** $p < .000$

For the verification of scale, Confirmatory Factor Analysis (CFA) was conducted. As Hair, Ringle & Sarstedt (2011) suggested that factor loadings should not be less than 0.49. Scale was modified by the deletion of the items with loadings less than 0.49. SEM was used to analyze the formulated framework in the current study, with three constructs after fitting the indices using CFA and model fit values gained were satisfactory ($\chi^2 = 4491.834$ $df = 2614$, $p = 0.000$, $\chi^2/df = 1.718$, RMSEA = 0.044, NFI = 0.800, RFI = 0.710, IFI = 0.900, TLI = 0.901, CFI 0.901). SEM Analysis with CFA of Constructs proved the Hypothesis 1 and 2 were positive and significant.

Figure 1: Mediation Analysis

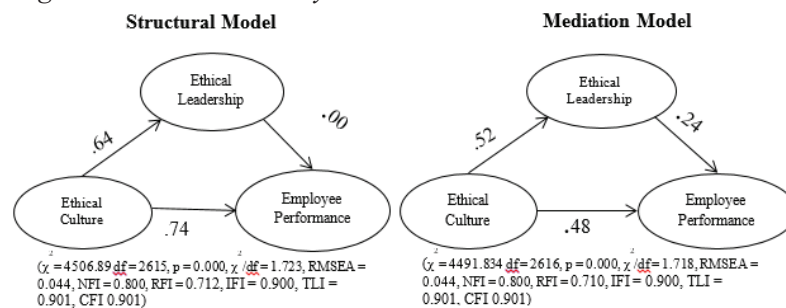


Figure 1 is showing two structural models, one is constrained model in which it is assumed that there is zero effect of EL on employee performance means setting ($\beta=0$). In mediation model $\beta=0$ is removed. In mediation model, it shows the effect of EC on EP is reduced from $\beta=.74$ to ($\beta=.48$, $p < .000$) and ethical leadership is now having ($\beta=.24$, $p < .000$) indicating that ethical leadership is acting as a partial mediator in relationship of EC and EP.

Managerial Implications

Research reveals that organization ethical culture is vital for ethical leadership. Organization can assess and formulate such culture that leads to ethical leadership and resultantly can achieve their desired outcomes one of them is employee performance.

Limitations of Current Research And Future Research Directions

Other organization contextual factors as for example organization ethical climate can also influence emergence and maintenance of ethical

leadership. It is the requirement to identify those factors and must be empirically investigated. In similar manner the current study incorporates only one outcome that is employee performance there are number of other organizational desired outcomes that need consideration and empirical investigation.

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