

## **Ethical Leadership and its Influences on Organizational Performance**

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### **ABSTRACT**

Ethical leadership strategies in terms of their targets and functions and relevant empirical work is reviewed. Throughout this review, ethical leadership emerges as one of the most far-ranging and influential processes at the interface of cognition and emotion. The quantitative research (survey) has been chosen in order to meet the purpose of the research and to test those relationships empirically the data is collected from structured questionnaire. Sample size is 210 and also Descriptive research study is used as a research design and followed simple random sampling method. the sample was selected from various information technology companies being operative in Chennai. These findings indicate a positive relationship between ethical leadership and organizational performance. Likewise, that ethical leadership sub-elements, namely enhancing positive affect, perspective taking, social modeling, people orientation, power sharing, and ethical guidance were found affecting positively on organizational performance, but with varying and distinct intensity.

Keywords: Ethical leadership, Enhancing Positive Affect, Perspective taking, Social modeling, People orientation, Power sharing, Ethical guidance and Organizational Performance.

### **INTRODUCTION**

#### **Ethical Leadership**

Brown et al. (2005) defined ethical leadership 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.”

Appropriate behavioral model was adopted by the ethical leaders (Treviño et al., 2003);

they addressed from social learning & uni-dimensional measure further the multi-dimensional construct investigated by Resick et al. (2006) Den Hartog (2008).

Dimensions such as acting fairly, demonstrating consistency and integrity, promoting ethical conduct, being concerned for people, allowing 'followers' voice, and sharing power where considered and studied by (Den Hartog & De Hoogh, 2009).

Fairness is one important dimension in the ethical leadership. Fairness means treat individuals in a way that is right and equal, make principled and fair choices. Ethical leaders make fair choices, honest, trustworthy, and own responsibility for their actions (Trevino et al., 2003).

De Hoogh and Den Hartog (2009) stated that the ethical leadership behavior should allow the subordinates to participate in the decision making and allow them to express their ideas and concern it. Further, Resick et al. (2006) stood for the empowering the subordinates; Brown et al. (2005) ethical leaders provide followers with voice. Sharing power allows subordinates more control and makes them less dependent on their leaders (Yukl, 2006).

Role clarification: In simple terms role clarification means clarifying the responsibilities of the individuals, expectations from their role and performance goals. Ethical leaders should communicate openly and transparent in performance goals DeHoogh and Den Hartog (2008).

Ethical leaders clarify responsibilities, expectations, and performance goals, so that subordinates know what is expected from them and understand when their performance is up to par. Subordinates do not worry unnecessarily about unclear expectations and know how they can meaningfully contribute to meeting the unit's or organization's goals.

### **Problem statements**

The problem statement is formulated based on the aforementioned background. Firstly, only a few studies are intended to map out the relationship between ethical leadership, and organizational performance based on the opinion of the information technology employees. In order to identify the valuable and most contributing resources the human resource department of the information technology companies makes attempt towards understanding of how individual performance constructs. Thus, it is very necessary and important to understand and identify the

most influencing organizational performance factor on the basis of the ethical leadership, basis of the information technology employees' opinion.

### **Limitations of the study**

The present research study does have few limitations as follows,

It's the duty of the researcher to due record of the notable limitations in the present research. The present study does not reflect the opinion or representation of the other tech park information technology employees. The research study is limited to only those respondents who recorded their opinion through questionnaire. This research study only focused on the work performance of the information technology employees and their opinion towards interpersonal emotion regulations, ethical leadership occupational personality and organizational culture.

### **REVIEW OF LITERATURE**

**Anis Eliyana, Syamsul Ma'arif and Muzakki (2019)** The research discussed regarding antecedent variable of transformational leadership with its effect to work performance of the middle-level leaders at the organization commitment in Pelabuhan Indonesia. The result found that transformational leadership has direct significant effect on job satisfaction and organizational commitment. However transformational leadership cannot give significant impact to work performance when it is intervened by the organizational commitment as well as it cannot give direct impact on work performance.

**Fahri ozsungur (2019)** the research aims to assess the impact of ethical leadership on service innovation behavior. The findings mentioned that ethical leadership has a significant effect on psychological capital, ethical leadership has a significant effect on innovation, psychological capital was found to have a significant influence on service innovation, and ethical leadership was mediated by psychological capital on service innovation behavior. The results provided that impact of ethical leadership on the productivity of employees in the workplace.

**Melisa Sevi Koc, et al (2019)** The study conducted the adaptation of Interpersonal Emotion Regulation Questionnaire into Turkish culture and assesses its psychometric properties. Primary data was collected from 118 participants were took part in the sample of the study. The sample was recruited via Google forms. The link for the Google forms was advertised throughout social media like Facebook and Twitter. Results revealed that the proposed four-factor namely

(Enhancing positive affect, Soothing, Perspective taking and Social modeling) model fits for data sufficiently and provided support for the original factor structure proposed and valid for self-report measure which can be used to assess the ways individuals utilize others to regulate their own emotions.

**Afsar, B. and Shahjehan, A. (2018)** examined how ethical leadership relates to morale of the employees among 364 employees working in Pakistan construction companies. And the study results revealed that there has an interaction between the selected variables viz., ethical leadership, trust in the leader and leader follower value.

**Omale A. Garbaa, Mayowa T. Babalolab and Liang Guo (2018)** investigated the ethical leadership may relate to hospitality employees' customer-oriented citizenship behavior by exploring the mediating roles of felt obligation and psychological detachment. In addition, the findings revealed that psychological detachment moderated the ethical leadership and customer citizenship behavior relationship, such that this relationship was stronger when psychological detachment was low (versus high), as mediated by felt obligation. The findings highlight the importance of ethical leadership in encouraging employees by increasing their felt obligation. More importantly, because they develop a stronger sense of obligation to reciprocate ethical leadership behaviors.

**Dan Wang, Taiwen Feng and Alan Lawton (2017)** Studied the ethical leadership consisting of leader humane orientation, leader responsibility and sustainability orientation and leader moderation orientation are beneficial to firm performance, and leader justice orientation plays moderating roles. The findings reveal that both leader humane orientation and leader responsibility and sustainability orientation have positive influences on both firm financial and social performance, while leader moderation orientation only has positive influence on firm financial performance.

**Yau-De Wang and Wen-Chuan Sung (2016)** the study examined the relationships of perceived ethical leadership, workplace jealousy, and organizational citizenship behaviors. The findings showed that workplace jealousy, a consequence of social comparison, can mediate the effects of ethical leadership on employee organizational citizenship behaviors and perceived ethical leadership was found to be negatively related to employees' workplace.

**Shields and Brown (2015)** explain that core values encourage creativity, innovativeness, higher achievements and flexibility in firms. The most common definition of performance explains it as the degree or extent of achievement of pre-assigned goals. These studies surely validate to carryout similar researches in such work environments that remain unattended from the researchers. Therefore, we can form the research objectives and hypothesis as follows:

### **OBJECTIVES OF THE STUDY**

- To analyze ethical leadership and its relationship with organizational performance.
- To assess the influence of ethical leadership on organizational performance.

### **HYPOTHESES OF THE STUDY**

H<sub>01</sub>: There is no significant relationship between ethical leadership and organizational performance.

H<sub>1</sub>: There is significant relationship between ethical leadership and organizational performance.

H<sub>02</sub>: There are no significant influences of ethical leadership on organizational performance.

H<sub>2</sub>: There are significant influences of ethical leadership on organizational performance.

### **RESEARCH METHODOLOGY**

#### **Research Methodology**

The research design for this study is descriptive in nature and quantitative research methodologies are used. A structured questionnaire was used for quantitative research. A structured questionnaire was designed and was pre-tested before using as a final instrument for collecting the data, and analyzes these to make a critical evaluation of the performance.

#### **Primary data:**

The primary data were collected from the employees of IT companies in Chennai, questionnaire prepared exclusively for this purpose; this questionnaire contains direct questions in the Likert scale.

#### **Secondary data:**

Websites, magazines, articles were used widely as support to primary data as a secondary data source.

#### **Sampling Design and Size:**

Researchers targeted all the employees of IT companies in Chennai, a detailed study comprising of all employees is an arduous task for an individual researcher. Therefore, to keep the study within the reliable and manageable limits, **SIMPLE RANDOM SAMPLING** was adopted. 250 questionnaires were distributed in the samples, in that 217 respondents were return back, and among that 210 questionnaires were found suitable for the study.

### **Pre-Testing Procedures (Pilot Study)**

Before the survey questionnaire was administered to the respondents, a pre-test of the questionnaire was conducted to test the validity of the questionnaire used for data collection 90 Questionnaires were distributed personally to the respondents, some minor wording modifications to the questionnaire and certain changes were made which enabled the researches to plan the survey effectively and to accomplish the objectives of the study and made as a result of this process.

### **Reliability:**

The internal consistency reliability method was used in this study to determine the reliability of the scale questions by determining the co-efficient alpha. Cronbach's co-efficient alpha is a measure of the internal consistency of measurement.

Overall reliability of the study is .689

## **ANALYSIS AND INTERPRETATION**

### **Correlation between Ethical Leadership and Organizational Performance**

H<sub>01</sub>: There is no significant relationship between ethical leadership and organizational performance.

H<sub>1</sub>: There is significant relationship between ethical leadership and organizational performance.

**Table: 1**

<b>Ethical Leadership</b>		<b>Organizational Performance</b>
<b>Enhancing Positive Affect</b>	Pearson Correlation	0.812
	Significance(2-tailed)	0.001*
<b>Perspective Taking</b>	Pearson Correlation	0.645
	Significance(2-tailed)	0.001*

<b>Social Modeling</b>	Pearson Correlation	0.805
	Significance(2-tailed)	0.001*
<b>People Orientation</b>	Pearson Correlation	0.721
	Significance(2-tailed)	0.001*
<b>Power Sharing</b>	Pearson Correlation	0.705
	Significance(2-tailed)	0.001*
<b>Ethical Guidance</b>	Pearson Correlation	0.681
	Significance(2-tailed)	0.001*
	N	210

Source: Primary data; \*significant at one percent level.

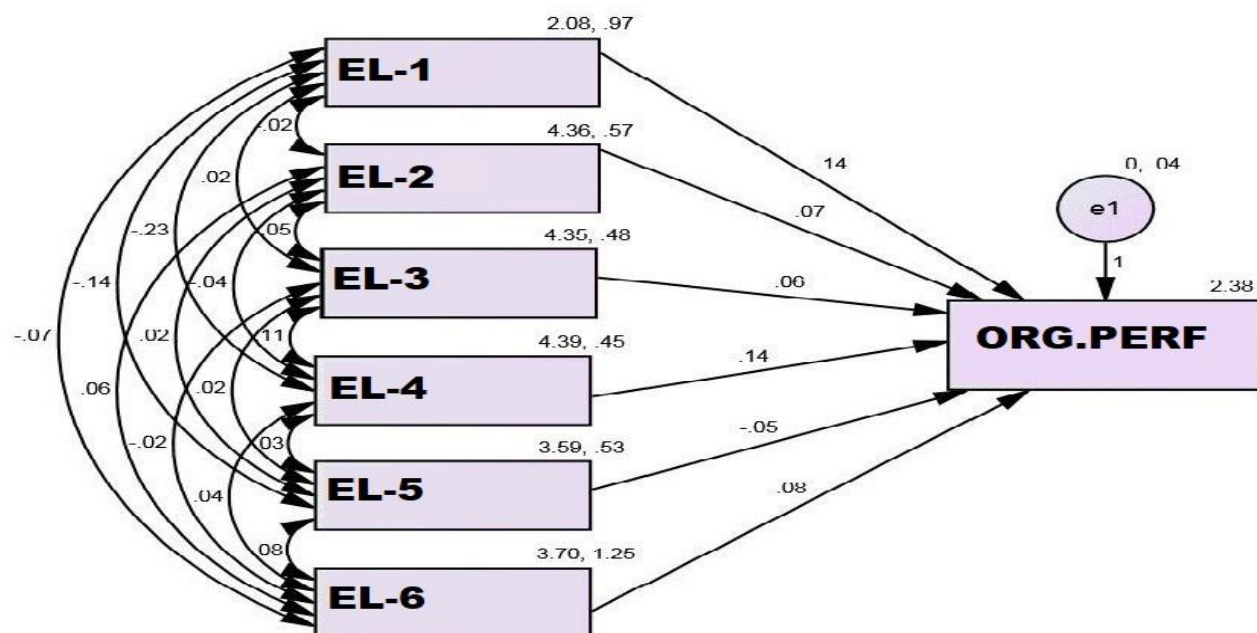
In order to test the relationship, Pearson correlation was applied. From the result it is observed that there is positive correlation between independent variable and organizational performance. The ethical leadership i.e. enhancing positive affect have the r value of ( $r=0.812$ ), social modeling ( $r=0.805$ ), people orientation( $r=0.721$ ), power sharing ( $r=0.705$ ), ethical guidance ( $r=0.681$ ) and perspective taking ( $r=0.645$ ) from the p value in the correlation matrix, it is observed that the level of independent variables relationship was significant at 0.01 level. Hence the null hypothesis is rejected and alternative hypothesis is accepted. So, it is concluded that there is significant strong relationship between ethical leadership and organizational performance.

### Multiple Regression Analysis

H<sub>02</sub>: There are no significant influences of ethical leadership on organizational performance.

H<sub>2</sub>: There are significant influences of ethical leadership on organizational performance.

### Figure-1.: Multiple Regression Path Analysis of Ethical Leadership and Organizational Performance



### Abbreviation of Ethical Leadership

Abbreviation	Ethical Leadership
EL-1	Enhancing Positive Affect
EL-2	Perspective Taking
EL-3	Social Modeling
EL-4	People Orientation
EL-5	Power Sharing
EL-6	Ethical Guidance

**Table- 2 (a): Model Fit Summary**

Model	R	R-Square	Adjusted R-Square	Std. Error of the Estimate
EL	0.663	0.439	0.433	0.20669



The model summary table interprets the  $R$ ,  $R^2$ , Adjusted  $R^2$ , Standard error of the estimate and model fits. Multiple Correlation coefficients 0.663 is good level of predication. The coefficient of determination enhancing positive affect (EL-1), perspective taking (EL-2), social modeling (EL-3), people orientation (EL-4), power sharing (EL-5) and ethical guidance (EL-6) are 44% dependent in organizational performance.

**Table- 2 (b): Regression Weights of Ethical Leadership and Organizational Performance**

Regression Weights	Estimate	S.E.	C.R.	P
ORG PERF <--- EL-1 Enhancing Positive Affect	.142	.009	15.043	***
ORG PERF <--- EL-2 for Perspective Taking	.072	.011	6.277	***
ORG PERF <--- EL-3 for Social Modeling	.057	.013	4.474	***
ORG PERF <--- EL-4 for People Orientation	.143	.014	10.112	***
ORG PERF <--- EL-5 for Power Sharing	-.049	.012	-4.131	***
ORG PERF <--- EL-6 for Ethical Guidance	.079	.008	10.177	***

Note: \*\*\* is 1%  $\alpha$  -significant level

The path diagram represents the ethical leadership sub elements are like enhancing positive affect (EL-1), perspective taking (EL-2), social modeling (EL-3), people orientation (EL-4), power sharing (EL-5) and ethical guidance (EL-6). Here multiple regression analysis employed on all six reasons; all are highly significant with organizational performance.

The squared multiple correlation estimate score is 0.439, though the first and foremost lead the people orientation (EL-4) the estimate value is 0.143. The next lead the enhancing positive affect (EL-1), the estimate value is 0.142. The next preference of ethical guidance (EL-6) the estimate value is 0.079. It has concluded from the analysis, most of the employees Perceived ethical leadership supports for the organizational performance.

**Table-2(c): Covariance of Ethical Leadership**

<b>Covariance</b>	<b>Estimate</b>	<b>S.E.</b>	<b>C.R.</b>	<b>P</b>
Enhancing Positive Affect EL-1<-->EL-6 Ethical Guidance	-.072	.046	-1.567	.117
Ethical Guidance EL-6<-->EL-2 Perspective Taking	.059	.035	1.673	.094
Ethical Guidance EL-6<-->EL-3 Social Modeling	-.016	.032	-.490	.624
Ethical Guidance- EL-6<-->EL-4 People Orientation	.040	.031	1.273	.203
Ethical Guidance EL-6 <--> EL-5 Power Sharing	.076	.034	2.243	.025
Enhancing Positive Affect EL-1<--> EL-5 Power Sharing	-.143	.031	-4.676	***
Perspective Taking EL-2<-->EL-5 Power Sharing	.018	.023	.786	.432
Social Modeling EL-3 <--> EL-5 Power Sharing	.015	.021	.728	.467
People Orientation EL-4<--> EL-5 Power Sharing	.032	.020	1.594	.111
Enhancing Positive Affect EL-1<-->EL-4 People Orientation	-.232	.029	-8.011	***
Perspective Taking EL-2<-->EL-4 People Orientation	-.040	.021	-1.914	.056
Social Modeling EL-3<-->EL-4 People Orientation	.107	.020	5.463	***
Enhancing Positive Affect EL-1<-->EL-3 Social Modeling	-.020	.028	-.712	.476
Perspective Taking EL-2<-->EL-3 Social Modeling	-.048	.022	-2.201	.028
Enhancing Positive Affect EL-1<-->EL-2 Perspective Taking	-.024	.031	-.779	.436

The above table Interprets covariance relationship of Hedonic Value for Milk, five relationships only significant the p- value, that is less than 0.01, the positive relationships are Social Modeling EL-3 <--> EL-4 People Orientation and Ethical Guidance- EL-6 <--> EL-4 People Orientation, the estimate values are 0.107 and, 0.040 respectively. Remaining relationships are highly differing from one another. The result is concluded that the social modeling <--> people orientation and ethical guidance <--> people orientation variables are in

the interrelationship variables.

Hence the null hypothesis is rejected and alternative hypothesis is accepted. From the regression equation, it is inferred that ethical leadership are positively influencing the performance of IT organization in Chennai.

### **SUGGESTIONS AND IMPLICATIONS**

Based on the study, the following suggestions are proposed.

To regulate emotions of teammates to regulate their own emotions and/or to control the influence of others' emotions that were (in)congruent with their personal goals. This suggests that helping behaviors such as extrinsic regulation could potentially be viewed as egoistic.

That manager increases their employee's awareness of the risks associated with self-oriented motives and with the ignorance of reciprocal knowledge between teammates about their own emotional functioning. Accordingly, emotional intelligence reflects how people deal with their own emotions and those of others.

From an applied perspective, interventions targeting ethical leadership motives need to be developed and tested.

### **SUGGESTIONS FOR FURTHER RESEARCH**

1. In the future researches, people who are suffering from psychological disorders can be used as sample so that more implications can be drawn from their results.
2. In the present study, different age groups have been used as sample. The future researchers can do longitudinal studies so that it can be found that if how much changes comes in those individuals with age.
3. More variables of the positive health can be added like optimism to make the study more valid.
6. Gender differences can also be studied with the age differences to see if there is any difference in males and females.
4. The study can also be done in different organizations so that different type of explanations can be given about these variables.
5. Intervention programs could also be developed to see if there is any change in score of these variables in pre- and post-training results.

## CONCLUSION

The ethical leadership helps in internalizing joint relationship that leads to manage effective organization processes. The ethical leadership helps in improving performance of the organization. The positive association between ethical leadership helps in improving results of organization. The ethical leadership have strong influences of organizational performance as it leads to enhance productivity. The norms and values of organization based upon different cultures influence on work force management. In an organization strong ethical leadership enables to effective and efficient management of work force employees. The profit in an organization helps in enhancing performance of employees. The common path for making perfect use of resources in same cultural association helps in positive development of organization. On basis of particular conditions ethical leadership is helpful in improving and providing competitive edge. The ethical leadership helps in improving performance of information technology organization in Chennai region.

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