THE EFFECT OF ETHICAL LEADERSHIP ON EMPLOYEE PERFORMANCE

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ABSTRACT

Ethical leadership has emerged as a crucial factor in enhancing employee performance, particularly in the context of the Ethiopian banking industry. This research delves into the examination of the influence of moral leadership on the performance of employees within the banking sector of Ethiopia, with a specific focus on the Bank of Abyssinia. The measurement of ethical leadership comprised five distinct elements, namely character, formal procedures, empowerment strategies, ethical viewpoint, and systems of reward and discipline. Through the application of stratified sampling, descriptive assessment, and inferential data analysis techniques, the investigation revealed a moderate degree of ethical leadership alongside employee performance. Consistent viewpoints were observed concerning formal procedures and systems of reward and discipline. A direct positive relationship between ethical leadership and employee performance was discerned, with the outcomes of ANOVA emphasizing the substantial impact of these factors. The established model indicated a robust association, displaying an R-squared value of 77.4%. The attributes of character, ethical viewpoint, empowerment strategies, and the utilization of reward and discipline mechanisms emerged as pivotal indicators of employee performance, whereas formal procedures did not exhibit the same significance. Recommendations encompass the advocacy for ethical leadership through regular training initiatives and bi-annual conversations centered on ethical principles. Prospective research endeavors should encompass longitudinal and qualitative analyses, investigate a wide array of organizational contexts, and contemplate supplementary variables and interventions. The research validates the indispensable nature of ethical leadership in cultivating a productive and principled work milieu, thereby providing valuable guidance for organizations seeking to optimize employee outcomes through leadership methodologies.

Key words: - **Ethical Leadership, and Employee Performance.**

Introduction

Leadership holds significant importance due to its impact on the present and future state of an organization. The presence of effective leaders within any organization is crucial as they have the ability to positively influence their followers, thereby enhancing employee performance and organizational commitment, ultimately leading to improved organizational performance as emphasized by (Kieu, 2010) Efficient and effective functioning of an organization is heavily reliant on the presence of strong leadership. Additionally, leadership and job satisfaction are pivotal factors in the establishment and sustenance of organizational effectiveness, as highlighted by (Durkin, 2000)

Ethical leadership is increasingly acknowledged as essential for the success of organizations, particularly in sectors where trust and integrity are paramount, such as the banking industry. The primary objective of this research is to investigate the influence of ethical leadership on the performance of employees in the Ethiopian banking industry, focusing specifically on the Bank of Abyssinia. Ethical leadership is defined by leaders who exhibit behavior that aligns with established norms through their personal actions and relationships, and who encourage such behavior among their followers by engaging in two-way communication, providing reinforcement, and involving them in decision-making processes.

The Ethiopian banking sector, which includes the Bank of Abyssinia, functions within a setting where ethical dilemmas have the potential to greatly influence trust and operational effectiveness. The significance of ethical leadership in this context stems from various factors. Firstly, in terms of Regulatory Compliance and Trust, ethical leadership plays a vital role in ensuring adherence to regulatory norms and establishing trust with stakeholders, a critical aspect in the banking industry. Secondly, considering Cultural Alignment, Ethiopian society highly values integrity and ethical conduct. Leaders who exemplify these principles can cultivate a favorable organizational ethos.

Thirdly, with regards to Employee Morale and Motivation, ethical leaders who serve as role models can boost employee morale and motivation, consequently enhancing performance and reducing turnover rates. Lastly, in the realm of Reputation Management, maintaining a strong reputation is imperative in the competitive banking sector. Ethical leadership contributes to the construction and perpetuation of a positive public image. Thus, based on these considerations and others, researchers opt for ethical leadership over other styles of leadership.

According to (Hersey, P., Blanchard, K. H., & Natemeyer, 1979) leadership is defined as the process of exerting influence on the actions of individuals or groups to facilitate the achievement of goals. (Senge, 1990) associates' leadership with the provision of stimuli and incentives that drive individuals towards common objectives. The enhancement of employee performance is a pressing need for organizations amidst the continuous emergence of challenges stemming from scandals and unethical behaviors. Ethical leadership involves the demonstration of behavior that aligns with accepted norms through personal actions, interpersonal relationships, effective two-way communication, and decision-making processes, (Brown, M., & Trevino, 2005)

Statement of the Problem

Ethical leadership, characterized by the adherence to established norms and the promotion of ethical behavior among subordinates, exerts a significant impact on employee performance (Brown & Trevino, 2005). Ethical leaders exhibit integrity and offer moral guidance to their followers, thereby cultivating an atmosphere conducive to ethical practices (Tomás F. González, 2002). The primary objective of this study is to evaluate the influence of ethical leadership on employee performance within the Bank of Abyssinia Debre Markos area branches.

Previous studies generally affirm the favorable effects of ethical leadership on organizational outcomes (Carroll, 2004; Brown & Trevino, 2005). Nevertheless, research findings vary in different contexts, demonstrating both positive and negative impacts (Agha et al., 2017; AlShehhi et al., 2020). Notably, there exists a research gap within Ethiopia, particularly in the Bank sector particularly Bank of Abyssinia at Debre Markos branches, regarding empirical investigations on this subject.

This study will scrutinize the impact of ethical leadership on employee performance across five dimensions: character, formal routines, empowerment behavior, moral perspective, and rewards and punishment. It will tackle the challenges highlighted in Bank of Abyssinia annual reports (2015-2023) at Debre Markos area branches, such as the absence of employee involvement in decision-making processes, ambiguous performance metrics, and the overreliance on punitive actions.

Key inquiries to be addressed are as follows:
- How does ethical leadership affect employee performance within Bank of Abyssinia setting?
- Which dimensions of ethical leadership wield the most influence on employee performance?
- What are the underlying mechanisms that define the relationship between ethical leadership and employee outcomes?

Through the exploration of these questions, this study aspires to furnish evidence-based insights that can enhance organizational efficacy. It is poised to enrich the comprehension of ethical leadership in developing nations like Ethiopia and proffer practical suggestions for organizational leaders and policymakers to nurture a culture of ethical leadership and enhance overall performance results.

Research Hypothesis

The subsequent hypotheses were developed in the alternative form and subsequently tested.

H_1: Character has a statistically significant and positive impact on employee performance.

H_2: Formal routine has a statistically significant and positive impact on employee performance.

H_3: Empowerment has a statistically significant and positive impact on employee performance.

H_4: Moral perspective has a statistically significant and positive impact on employee performance.

H_5: Reward and Punishment has a statistically significant and positive impact on employee performance

Review of Theoretical Literature

Ethical leadership and employee performance are indispensable constructs that have garnered substantial scrutiny in the realm of leadership and human resource management literature. The theoretical framework offers valuable perspectives on the correlation between these constructs, emphasizing their significance in influencing employee perceptions, employee performance, and organizational outcomes.

Ethical Leadership

The concept of "leadership" has been defined in various ways by different scholars in the field. (Nelson, 2006) characterizes leadership as a series of steps, procedures, or processes that serve to direct and guide the behavior of individuals within their work environment. In contrast, (Armstrong, 2011) simplifies leadership as the ability to influence others willingly to act differently in order to achieve a specific task with the support of a group. (Northouse, 2021) views leadership as a process where an individual exerts influence over a group to accomplish a common objective. (Kodish, 2006) posits that for leaders to exhibit high quality leadership, they must display strong ethical behaviors.

(Oates, V., & Dalmau, 2013) elaborate that ethical leadership revolves around making decisions that benefit all stakeholders in the long run. They emphasize the importance of balancing an organization's short-term goals with its long-term aspirations to yield positive outcomes for all affected parties. (Brown, M. E., Treviño, L. K., & Harrison, 2005a) propose that integrity, ethical standards, and fair treatment of employees are fundamental pillars of ethical leadership. According to them, ethical leadership involves showcasing appropriate behavior through personal actions and relationships, as well as encouraging followers to uphold these standards through effective communication, reinforcement, and decision-making. This definition highlights the dual role of a leader as both a moral individual and a moral guide for others. It underscores that ethical leaders do not compromise ethical principles in pursuit of immediate organizational performance goals. (Trevino, L. K., & Brown, 2004) argue that true ethical leadership fosters ethical behavior by not only practicing ethics but also enforcing ethical standards and holding everyone accountable for their actions.

Ethical leadership can be defined as the process of influencing individuals or groups towards achieving goals (Hersey, P., Blanchard, K. H., & Natemeyer, 1979). It is often associated with incentives and motivators that drive people towards common objectives (Senge, 1990). The crux of ethical leadership lies in accomplishing goals collectively with the support and involvement of individuals (Mendonca, M., & Kanungo, 2006). Moreover, ethical leadership entails influencing individuals to voluntarily and enthusiastically contribute towards the group's goals (Weihrich, H. and Koontz, 2005).

- **Character:** Ethical leadership is inherently grounded in the character of the leader, encompassing qualities like integrity, honesty, and fairness, which have a substantial impact on employees' trust and performance.
- **Formal Routines:** These pertain to the established procedures and protocols that a leader adheres to, showcasing their dedication to ethical conduct. Consistent adherence to ethical routines can cultivate a dependable and credible work environment, thus enriching employee performance.

- **Empowerment Behavior**: Ethical leaders empower their workforce through granting autonomy, providing support, and offering avenues for development. Empowered employees exhibit higher motivation and enhanced performance, thereby making a positive contribution to the organization's overall effectiveness.
- **Moral Perspective:** This encompasses the leader's capacity to differentiate between right and wrong, and to make decisions that serve the best interests of both employees and the organization. A robust moral perspective can nurture a culture of ethical conduct and superior performance.
- **Reward and Punishment:** Ethical leaders utilize rewards and sanctions to reinforce ethical behavior and deter unethical practices. Equitable and transparent reward structures can incentivize employees, whereas appropriate penalties for unethical conduct can uphold discipline and integrity within the organization.

Employee Performance

Performance, a multidimensional construct, plays a crucial role in determining the success or failure of organizations. (Prasetya, A., & Kato, 2011) offer a definition of performance as the achieved results of employees' actions and skills in a given situation. According to (Pattanayak, 2005) an employee's performance refers to the observable and assessable behavior exhibited while completing a task. From his perspective, employee performance represents an individual's contribution towards reaching organizational objectives. Essentially, employee performance reflects the execution of specific actions aimed at meeting predefined standards and objectives. Therefore, it can be understood as a combination of outwardly visible behaviors as well as cognitive processes such as decision-making, all leading to the realization of organizational goals.

Relationship between Ethical Leadership and Employee Performance

Employees are considered indispensable assets crucial for the achievement of organizational goals. As asserted by (Mwita, 2000) the performance of employees plays a pivotal role in realizing desired outcomes, forming a significant link with the planned objectives of the organization. Research indicates that enhancing employee performance can be facilitated by the presence of ethical leaders, as highlighted by (Bello, 2012). (Detert, J. R., & Burris, 2007) conducted a study which demonstrated that effective leadership assists employees in recognizing and refining their contributions towards the organizational success. It is evident from the research that proficient leadership is more inclined to result in an improvement in employee performance. (Brown, M., & Trevino, 2005) conducted a study revealing that ethical leadership places emphasis on equitable treatment, shared values, and integrity in both internal personnel interactions and external business dealings. Furthermore, they suggest that ethical leaders inspire positive behaviors among employees, fostering high levels of pride and commitment to the organization.

The research by (Mayer, D. M., Kuenzi, M., Greenbaum, R., Bardes, M., & Salvador, 2009) uncovered that the positive impacts of executive ethical leadership trickle down to lower-level employees through the ethical leadership practices adopted by supervisors.

Similarly, (Brown, M. E., Treviño, L. K., & Harrison, 2005) demonstrated in their study that ethical leadership has a beneficial influence on various crucial employee outcomes. Additionally, (Piccolo, R. F., Greenbaum, R., Hartog, D. N. D., & Folger, 2010) established a positive correlation between ethical leadership and the level of effort exerted by employees. (Walumbwa, F. O., & Schaubroeck, 2009) identified that perceptions of ethical leadership are associated with an increase in employee voice due to their impact on fostering a heightened sense of psychological safety. The findings from these investigations indicate that ethical leadership exerts a favorable influence on a multitude of employee outcomes. Nonetheless, there remains a scarcity of empirical studies specifically focusing on the ramifications of ethical leadership on employee performance.

Research Methodology

Research Approach, Sample and Data Collection Instrument

The research approach employed in this study involved the utilization of a quantitative research method incorporating both primary and secondary data sources. Moreover, quantitative research allows for increased objectivity and precision in outcomes, with results that are relatively unaffected by the biases of the researchers. And also, explanatory research design was selected for this study. The primary objective of the explanatory design is to systematically explain a situation, problem, or phenomenon in a structured manner.

The research conducted focused on the population under study, which comprised the employees of Bank of Abyssinia Debre Markos area branches, totalling 125 individuals who possessed the pertinent information essential for addressing the research inquiries. The organizational workforce consisted of 619 employees, with 260 being female and the remaining being male. The method employed to determine the sample size, based on (Malhotra, R. K., & Indrayan, 2010) technique, resulted in the selection of 125 samples. To ensure a representative sample, the researcher utilized a stratified sampling approach, which involved dividing the total population into five distinct strata. The implementation of proportionate stratified sampling further facilitated the comparability of data across different strata. By selecting units from each stratum in proportion to their population size, the researchers could ensure a balanced and representative sample of 125 individuals.

For data collection in this research, primary data was gathered through the use of semi-structured questionnaires. These questionnaires were administered by the researchers to ensure a lower non-response rate, provide an opportunity for personal interaction to introduce the research topic, and encourage respondents to provide candid feedback. The semi-structured questionnaire was designed based on the review of existing literature and the objectives of the study, ensuring reliability and unbiased data collection. Additionally, secondary data sourced from journals, articles, books, magazines, and online resources complemented the primary data gathered from professional employees at the Bank of Abyssinia Debre Markos area branches.

Measurement

The assessment of ethical leadership involved an examination of character, formal routines, empowerment behavior, moral perspective, and reward and punishment. These elements were evaluated using adapted items from established scales to ensure the constructs' reliability and validity.

- ➡ **Character:** Leaders' personal integrity and ethical behavior were the focal points of this component assessment.
- ➡ **Formal Routines**: This component focused on appraising the adoption of formal procedures and policies aimed at fostering ethical conduct within the organizational setting.
- ➡ **Empowerment Behavior**: The evaluation of this component revolved around gauging the degree to which leaders empower their staff to make ethical choices and take responsibility for their decisions.
- ➡ **Moral Perspective:** This component aimed to capture the ethical values and principles guiding leaders' actions and decisions.
- ➡ **Reward and Punishment**: Leaders' utilization of rewards and punishments to reinforce ethical behavior and address unethical actions was the central theme of this component. Respondents provided their ratings for each item on a Likert scale ranging from 1 (strongly disagree) to 5 (strongly agree).

The evaluation of employee performance encompassed self-reported assessments and supervisor evaluations, covering task performance, contextual performance, and adaptive performance. Measurement tools were adapted from Williams and Anderson (1991), and participants rated their performance on a Likert scale from 1 (strongly disagree) to 5 (strongly agree).

Through the incorporation of these detailed measurement tools, this research seeks to offer a thorough analysis of ethical leadership's impact on employee performance. The selected components of ethical leadership were character, formal routines, empowerment behavior, moral perspective, and reward and punishment, chosen to comprehensively assess the multifaceted nature of ethical leadership and its effects within the Ethiopian banking sector, particularly at the Bank of Abyssinia.

Data Analysis

Data analysis is conducted by utilizing both descriptive and inferential statistics with the assistance of SPSS version 23 software. Inferential statistics are employed to ascertain the relationships between different variables. Pearson Correlation Analysis is utilized to explore the connections between independent variables and the dependent variable, which in this case is employee performance. Additionally, multiple linear regression analysis is employed to identify the significant factors influencing employee performance. A comprehensive summary of the key findings and conclusions is presented to enhance the understanding of the study outcomes. The multiple linear regression model for the study was presented as follows:

$Y_i = \beta_0 + \beta_1 x_1 + \beta_2 x_2 + \beta_3 x_3 + \beta_4 x_4 + \beta_5 x_5 + e$ ………. (1)

Where;
Yi, Employee Performance
X1, Character
X2, Formal routine
X3, Empowerment
X4, Moral Perspective
X5, Reward and Punishment
β0, is the regression intercept
(β1-----β5) are the regression coefficients;
ε, Error term,

Result

Reliability

To ensure the reliability of the instrument, the researcher tested the reliability using Cronbach's Alpha (α). Cronbach 's Coefficient (α) is calculated to estimate the internal consistency of reliability of a measurement scale. For this particular study, the questionnaires Likert scale items reliability is checked by Cronbach 's - alpha coefficient with the help of SPSS.

Table 1 Reliability Statistics

Dimensions	Number of attributes	Cronbach's alpha
Character	6	.843
Formal routines	5	.910
Empowerment behavior	6	.782
Moral perspective	6	.765
Reward and punishment	6	.857
Reliability of Total Scale		**.831**

Source own survey 2024

Cronbach's coefficient alpha, a frequently utilized metric for assessing internal consistency, is recommended to exceed 0.7 (Pallant, 2002). Consequently, the assurance of measurement reliability ensures the absence of errors and the generation of precise results. The scale of internal consistency is gauged by the range from 0 to 1, or Cronbach's coefficient alpha.

Validity

Researchers scrutinized the construct validity of the study in order to guarantee adherence to the established standards of the research materials. Peer reviews present an alternative approach to assessing the suitability of a given inquiry. Prior to data collection, a preliminary assessment was carried out to solicit relevant feedback for the research. Furthermore, a correlation coefficient was computed for the independent and dependent variables to confirm their positive correlation and suitability as dependable indicators.

Data Analysis and Interpretation

Descriptive Analysis

In this section, the collected data is entered and reported using SPSS. Mean and standard deviation of level of agreement of the respondents with regard to questions asked in each of the ethical leadership dimensions and mean value employee performance with respect to respondent's category analyzed and presented.

Table 2 Descriptive Analysis summery

Variable	Mean	Stand. dev
Employee performance	3.13	1.137
Character	3.08	1.123
Moral perspective	2.97	1.187
Empowerment Behavior	3.07	.951
Formal routines	3.19	.942
Reward and punishment	3.15	.937

Source own survey 2024

The mean score of 3.13 denotes a moderately high level of employee performance on a scale of 1 to 5. The standard deviation of 1.137 implies a considerable amount of variation in employee performance among survey participants. This suggests that while many employees operate around the average level, there are noticeable disparities, with some performing notably better or worse. The mean ethical character score is 3.08, indicating a moderate level of ethical character among employees. The standard deviation of 1.123 reflects a similar degree of variation to employee performance, indicating diverse interpretations or displays of character traits among employees. The average score for moral perspective is slightly below 3, suggesting a somewhat moderate to neutral moral outlook among employees. The higher standard deviation of 1.187 suggests greater diversity, indicating significant differences in employees' moral perspectives.

The mean score of 3.07 indicates a moderate practice of empowerment behavior. The lower standard deviation of 0.951 suggests less diversity compared to other factors, implying a more uniform application or perception of empowerment behaviors among employees. A mean score of 3.19 indicates a slightly higher than moderate adherence to formal routines. With a standard deviation of 0.942, the lowest among all variables, it implies the most consistency in responses, indicating a uniformity in the perception or execution of formal routines. A mean score of 3.15 suggests a moderate perception or application of the reward and punishment system. The standard deviation of 0.937, also the lowest, alongside formal routines, indicates a consistent understanding of the reward and punishment system among employees.

The means for all variables is close to 3, indicating moderate levels in employee performance, character, moral perspective, empowerment behavior, formal routines, and reward and punishment systems. The standard deviations, all around 1, demonstrate moderate diversity, with the least diversity in formal routines and reward and punishment, suggesting these areas have more consistent perceptions among employees. This descriptive examination establishes a fundamental comprehension of how these variables materialize within the institution. Further examination, such as correlation or regression, would be essential to identify the specific influences of ethical leadership on employee performance. The moderate mean scores and diversity highlight areas where ethical leadership practices could be enhanced to achieve more consistent and superior performance outcomes.

A Correlational Analysis

Ethical leadership within the realm of organizational behavior research has garnered considerable attention due to its potential influence on a variety of workplace outcomes, specifically employee performance. This study delves into the associations between numerous facets of ethical leadership and their impact on employee performance. The dimensions under scrutiny encompass Character, Formal Routines, Empowerment Behavior, Moral Perspective, and Reward & Punishment.

The dataset comprises the Pearson correlation coefficients among six variables: Character, Formal Routines, Empowerment Behavior, Moral Perspective, Reward & Punishment, and Employee Performance. An analysis was conducted using a sample size of 125 (N=125), with all correlations proving statistically significant at the 0.01 level (2-tailed).

Table 3 Correlation Analysis

Correlations

		Character	Formal Routines	Empowerment behaviour	Moral Perspective	Reward & Punishment	Employees' Performance
Character	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	125					
Formal Routines	Pearson Correlation	.870**	1				
	Sig. (2-tailed)	.000					
	N	125	125				
Empowerment Behaviour	Pearson Correlation	.928**	.841**	1			
	Sig. (2-tailed)	.000	.000				
	N	125	125	125			
Moral Perspective	Pearson Correlation	.779**	.698**	.840**	1		
	Sig. (2-tailed)	.000	.000	.000			
	N	125	125	125	125		
Reward & Punishment	Pearson Correlation	.768**	.816**	.795**	.735**	1	
	Sig. (2-tailed)	.000	.000	.000	.000		
	N	125	125	125	125	125	
Employee Performance	Pearson Correlation	.821**	.640**	.903**	.845**	.670**	1
	Sig. (2-tailed)	.000	.000	.000	.000	.000	
	N	125	125	125	125	125	125

**. Correlation is significant at the 0.01 level (2-tailed).

Source own survey 2024

- **Character**, which symbolizes the moral qualities and honesty of leadership, exhibits strong positive associations with all other factors, particularly with Empowerment Behavior (r = 0.928) and Formal Routines (r = 0.870). This indicates that leaders who demonstrate robust ethical character are inclined to implement formal routines and empower their employees effectively. The correlation with Employee Performance (r = 0.821) suggests that the moral character of leaders significantly improves employee performance.

- **Formal Routines** represent the organized and uniform procedures established by leaders: Formal Routines are highly correlated with Empowerment Behavior (r = 0.841) and Reward & Punishment (r = 0.816), indicating that formal routines are connected to empowering employees and maintaining a consistent system of rewards and punishments. The correlation with Employee Performance (r = 0.640) is moderate yet noteworthy, showing that structured routines contribute positively to performance.

- **Empowerment Behavior** signifies the extent to which leaders empower their employees: Empowerment Behavior displays strong correlations with all variables, especially with Employee Performance (r = 0.903), underscoring its vital role in enhancing performance. The significant correlation with Character (r = 0.928) emphasizes that ethical leaders are likely to significantly empower their employees.

- **Moral Perspective** pertains to the ethical standpoint and values embraced by leaders: Moral Perspective exhibits strong correlations with Employee Performance (r = 0.845) and Empowerment Behavior (r = 0.840). This suggests that an ethical standpoint and values directly contribute to improved employee performance and effective empowerment.

- **Reward & Punishment** represents the system of incentives and penalties utilized by leaders: Reward & Punishment moderately correlates with Employee Performance (r = 0.670), indicating that a just and consistent system of rewards and penalties can positively impact performance.

- **Employee Performance**, the dependent variable, displays significant positive correlations with all leadership dimensions: Character: r = 0.821**, Formal Routines: r = 0.640**, Empowerment Behavior: r = 0.903**, Moral Perspective: r = 0.845** and Reward & Punishment: r = 0.670**. The strongest correlation is with Empowerment Behavior (r = 0.903), followed by Moral Perspective (r = 0.845) and Character (r = 0.821). This suggests that ethical leadership, particularly through empowering behaviors, moral perspectives, and character, greatly enhances employee performance.
  In conclusion, the correlational analysis demonstrates that ethical leadership significantly impacts employee performance. Leaders with strong ethical character, who empower their employees, uphold moral perspectives, and implement formal routines and fair reward systems, tend to have employees with higher performance. Empowerment Behavior emerges as the most influential factor, indicating that when employees feel empowered by ethical leaders, their performance is greatly enhanced. This underscores the crucial role of ethical leadership in cultivating a productive and high-performing work environment.

Regressions Analysis
Multiple Linear Regression

Researchers conducted an ANOVA (Ethical leadership) to examine the relationship between the predictors (Character, Formal routines, Empowerment behavior, Moral perspective, Reward and punishment) and the dependent variable (Employee performance). The results revealed a statistically significant overall model, $F (7, 377) = 28.566$, $p < .001$.

Table 4 Analysis of Variance Results

ANOVAᵃ

Model	Sum of Squares	df	Mean Square	F	Sig.
Regression	128.879	5	0.580	28.566	.000ᵇ
Residual	7.562	120	0.020		
Total	166.531	125			

a. Dependent Variable: Employees' performance

b. Predictors: (Constant), Reward and punishment, Empowerment behavior, Moral perspective, Formal routines, Character

The table provided above illustrates that the F-value equals 28.566, indicating that the magnitude of the figure is not exceptionally large, while the significance level is noted as 0.000. It can be inferred from the data that the independent variables, specifically ethical leadership, are indicated as being a reliable metric for evaluating organizational employee performance. Moreover, the statistical analysis of the regression model reveals its significance ($p < 0.001$), implying a direct relationship between at least one of the independent variables and the dependent variable (employee performance). The substantial proportion of variance in the dependent variable, as indicated by the relatively high F-value, is effectively explained by the regression model. To gain a comprehensive understanding of the dynamics at play, it is imperative to delve into the examination of individual regression coefficients, which can shed light on the specific associations between each independent variable and the dependent variable. In summary, the regression model elucidates a significant portion of the variability observed in employee performance, thereby underscoring the importance of the statistically significant correlations existing between the independent variables and the dependent variable.

Table 5 Multiple Regression Model Summary

Model summery

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.896ᵃ	.774	.795	.51431	1.944

Source own survey 2024

The data presented in the table indicates that the coefficient of determination, denoted as R, is calculated to be 0.896, signifying that the correlation between the outcome and the predictors is at a high level of 89.6%. Another important metric provided in the table is R square, which is a statistical measure indicating the proportion of the variance in the dependent variable that can be predicted by the independent variables.

The R square value displayed in the analysis stands at 0.774, equivalent to 77.4%, suggesting that a substantial 77.4% of the variability observed in the dependent variable (Employee Performance) is elucidated by the explanatory variables incorporated within the model. This signifies a strong relationship between the predictors and the outcome, showcasing a significant level of predictability in the model.

Table 6: Multiple Regression Coefficints

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	1.246	.133		9.393	.000
	Character	.203	.045	.267	4.504	.000
	Formal routines	-.050	.045	.027	0.681	.057
	Moral perspective	.132	.036	.202	3.651	.000
	Empowerment behavior	.096	.038	.154	2.533	.001
	Reward and punishment	.112	.046	.132	2.421	.003

a. Dependent Variable: employee performance

The examination of multiple regression delves into the association between diverse independent variables (character, formal routines, moral perspective, empowerment behavior, and reward and punishment) and the dependent variable (employee performance). The constant term (intercept) displayed statistical significance, having a coefficient of 1.246 (p < .001). This suggests that in the scenario where all predictors are at zero, the approximated mean value of the dependent variable stands at 1.246.

Character: The presence of a positive coefficient (0.203) indicates that a rise in character by one-unit results in an increase in employee performance by 0.203 units, while keeping other variables constant. The t-value (4.504) and the noteworthy p-value (0.000) suggest that character serves as a substantial predictor of employee performance.

Formal Routines: The negative coefficient (-0.050) proposes that an escalation in formal routines by one unit leads to a reduction in employee performance by 0.050 units, with other variables held constant. Nevertheless, the t-value (0.681) and the p-value (0.057) propose that formal routines do not act as a significant predictor of employee performance at the 0.05 significance level.

Moral Perspective: The presence of a positive coefficient (0.132) signifies that an augmentation in moral perspective by one unit culminates in an increase in employee performance by 0.132 units, with other variables unchanged. The t-value (3.651) and the substantial p-value (0.000) demonstrate that moral perspective stands as a substantial predictor of employee performance.

Empowerment Behavior: The positive coefficient (0.096) suggests that a boost in empowerment behavior by one unit leads to an enhancement in employee performance by 0.096 units, while other variables are held at a constant level. The t-value (2.533) and the significant p-value (0.001) imply that empowerment behavior acts as a significant predictor of employee performance.

Reward and Punishment: The positive coefficient (0.112) hints that an increase in reward and punishment by one unit brings about a rise in employee performance by 0.112 units, with other variables held constant. The t-value (2.421) and the notable p-value (0.003) indicate that reward and punishment represent significant predictors of employee performance.

The examination reveals that traits such as character, moral viewpoint, behavior relating to empowerment, as well as the use of rewards and punishments, hold substantial predictive value in relation to the performance of employees. Nevertheless, the influence of formal procedures on employee performance is not deemed significant. The findings emphasize the crucial role of cultivating favorable character attributes, a robust moral standpoint, empowerment behavior, and a well-rounded rewards and penalties framework in improving employee performance.

Table 7: Hypothesis test results summary

No.	Hypothesis	Test result
1	Character has a statistically significant and positive impact on employee performance.	*Accepted/Positive Significant*
2	Formal routine has a statistically significant and positive impact on employee performance.	*Reject/Insignificant*
3	Empowerment has a statistically significant and positive impact on employee performance.	*Accepted/Positive Significant*
4	Moral perspective has a statistically significant and positive impact on employee performance.	*Accepted/Positive Significant*
5	Reward and Punishment has a statistically significant and positive impact on employee performance	*Accepted/Positive Significant*

Detailed Discussion: Linking Research Problem to Findings

Descriptive Analysis

The descriptive examination offers initial perspectives on the levels of ethical leadership and employee performance within the entity. The average ratings for all aspects of ethical leadership—Character, Formal Routines, Empowerment Behavior, Moral Perspective, and Reward & Punishment—cluster around 3 on a 5-point scale, indicating moderate levels. The moderate average ratings of employee performance (3.13) indicate potential for enhancement, aligning with the central research issue of investigating ways to boost employee performance through ethical leadership.

Correlation Analysis

The correlation assessment unveils substantial positive associations between all facets of ethical leadership and employee performance, highlighting the proposition that ethical leadership positively affects performance. Specifically, Empowerment Behavior exhibits the strongest correlation with employee performance (r = 0.903), indicating that empowering employees leads to notable performance improvements. This discovery directly tackles the research problem by pinpointing empowerment as a pivotal factor for enhanced performance. The robust correlation between Character and Employee Performance (r = 0.821) suggests that leaders with strong ethical principles positively impact their employees' performance. This corresponds with the theoretical framework proposing that ethical leaders act as exemplars, nurturing an ethical environment that enhances employee morale and efficiency (Brown, M. E., Treviño, L. K., & Harrison, 2005). Formal Routines also display a significant positive correlation with Employee Performance (r = 0.640), implying that structured and consistent procedures implemented by ethical leaders contribute to enhanced performance, backing the idea that clarity and consistency in leadership approaches are vital for employee effectiveness.

Regression Analysis

The regression analysis further validates the significance of ethical leadership in shaping employee performance. With an R^2 value of 0.774, the model accounts for 77.4% of the variability in employee performance, showcasing a strong predictive capability. This substantial explained variance emphasizes the considerable impact of ethical leadership dimensions on performance, thereby addressing the research problem by furnishing empirical proof of their influence.

The ANOVA outcomes, featuring a statistically significant F-value (28.566, $p < 0.001$), affirm the overall model's importance, strengthening the credibility of ethical leadership as a forecaster of employee performance. This discovery is crucial as it offers statistical authentication for the proposed connections, accentuating the significance of ethical leadership in organizational settings.

The regression coefficients offer additional understanding of the association between the predictors and employee performance. Traits such as Character, moral viewpoint, empowerment actions, and reward/punishment demonstrate significant predictive power on employee performance, showing positive correlations. Conversely, the presence of Formal procedures does not significantly predict employee performance at the 0.05 significance level. Notably, Character exhibits the largest standardized coefficient (Beta = 0.267), indicating its prominent influence on employee performance compared to other variables under examination.

Conclusion

The analysis of the impact of ethical leadership on employee performance reveals several key insights. The descriptive statistics indicate that the overall levels of employee performance, ethical character, moral perspective, empowerment behavior, formal routines, and reward and punishment systems are moderate among the surveyed employees. The standard deviations suggest some variability, with formal routines and reward and punishment systems being perceived more consistently compared to other variables.

The correlation analysis demonstrates significant positive relationships between all dimensions of ethical leadership and employee performance, with empowerment behavior showing the strongest correlation. This suggests that ethical leadership, characterized by strong ethical character, consistent formal routines, empowering behaviors, solid moral perspectives, and fair reward and punishment systems, significantly enhances employee performance.

The regression analysis further supports these findings by showing a high coefficient of determination ($R^2 = 0.774$), indicating that 77.4% of the variance in employee performance is explained by the ethical leadership dimensions. The ANOVA results confirm the statistical significance of the regression model, highlighting the reliability of ethical leadership as a predictor of employee performance.

The results suggest that ethical leadership exerts a beneficial influence on the performance of employees. Behaviors that empower, ethical traits, moral viewpoints, and just reward structures all have a positive impact on employee performance, whereas established procedures have a negligible effect. Consequently, the advocacy of ethical leadership methodologies in a workplace is expected to improve the overall performance of employees.

Recommendations

- Enhancing Empowerment Behavior: The significant relationship between empowerment behavior and employee performance underscores the importance for organizations to concentrate on strategies that promote employee empowerment. These strategies may encompass granting employees more autonomy, fostering involvement in decision-making processes, and providing avenues for professional growth.
- Strengthening Ethical Character: It is imperative for organizations to give precedence to cultivating ethical character within their leadership ranks. This objective can be accomplished through leadership training initiatives that underscore values such as integrity, transparency, and ethical decision-making.
- Maintaining Consistent Formal Routines: In order to establish a work environment that is stable and foreseeable, organizations should create and uphold consistent formal routines. Well-defined policies and procedures serve to harmonize employee conduct with the goals and expectations of the organization.
- Promoting a Strong Moral Perspective: Leaders ought to consistently articulate and exemplify ethical values and principles. This practice can foster a work environment that upholds ethical conduct and bolsters overall employee performance.
- Implementing Fair Reward and Punishment Systems: A just and transparent system of rewards and punishments has the potential to incentivize employees to excel and adhere to organizational norms. Regular evaluations and adjustments to these systems can help sustain their efficacy and impartiality.

Implications for Future Research

- Longitudinal Studies: Prospective investigations could derive benefit from longitudinal studies in order to scrutinize the enduring impacts of ethical leadership on the performance of employees. This endeavor would yield valuable insights into the evolution of such relationships over an extended period.

- Qualitative Research: Supplementary qualitative inquiries could delve into the fundamental mechanisms by which ethical leadership exerts influence on employee performance. Utilizing interviews and case studies could offer more profound insights into the perspectives and encounters of both employees and leaders.

- Diverse Contexts: Replicating the present study in varied organizational environments and cultural milieus could facilitate the generalization of the results. Through conducting comparative studies, it may be possible to pinpoint context-specific elements that shape the efficacy of ethical leadership.

- Additional Variables: Subsequent research endeavors could encompass additional variables like organizational culture, employee engagement, and job satisfaction to furnish a more holistic comprehension of the determinants impacting employee performance.

- Intervention Studies: Experimental inquiries or interventions designed to enhance specific facets of ethical leadership could contribute to establishing causal linkages and pinpointing the most efficacious strategies for augmenting employee performance.

  Overall, the outcomes underscore the pivotal function of ethical leadership in elevating employee performance. Organizations that dedicate resources to cultivating ethical leadership protocols are apt to witness substantial enhancements in employee performance, thereby cultivating a productive and high-achieving work milieu. The recommendations and future research avenues delineated are intended to steer organizations and scholars towards further exploration and utilization of the advantages associated with ethical leadership.

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