Ethical Leadership relations with Employee Job Performance

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Abstract: The aim of this research is to observe the concept of ethical leadership relation with employee job performance. The Characteristics of an ethical leader and how organisations can develop leaders that are not only sound in character but sound in actions. Corporate business leaders are expected to be persons of “strong characters” and serve as role models to their employees which without, the organisation’s goals may be undermined. Two important variables trust and commitment were discussed for better understanding of ethical leadership and employee job performance. The study provide some important instruction for corporate.

Key Words: Ethical Leadership, Employee, Job Performance, Trust, Commitment.

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Introduction: Ethical leadership is essentially a leadership theory, which uses the above ethical concepts as a guide to managing subordinates. Since ethics deals with the principles of ‘right’ behaviour and leadership with influencing other people to achieve goals, ethical leadership is influencing people through ethics. Ethical leadership is considered to be one solution for creating a balance between the wellbeing of the subordinates and the wider community, and the organization’s profitability. The theory understands the importance of trust and good relationships. In essence, modern ethical leadership theory places importance on the idea of service. The theory is therefore somewhat close to Robert Greenleaf’s concept of servant leadership. Greenleaf wrote in 1977, in his famous book Servant leadership, “Service to followers is the primary responsibility of leaders and the essence of ethical leadership”. Ethical leadership often takes the form of three separate approaches to leadership. The three have historical and philosophical foundations and all three emphasize different aspects in decision-making. First approach is Utilitarianism Theory, which sees the leader maximizing the welfare of the subordinates. The focus is on ensuring the subordinates feel good and are happy, before deciding on an action. Concern is on the proper ends of the action, not necessarily on how you get there. The approach is closely associated with John Stuart Mill and the ethical cost-benefit analysis. The second approach focuses on the Libertarianism Theory. The leader is to protect the freedom of the individuals as the main concern. If an action or decision would restrain the subordinate’s freedom, then the leader would not proceed with the course of action. The concern is on the intent of individuals. The approach follows Aristotle’s idea of virtue ethics or eudemonism. Finally, the last approach to leadership emphasizes Immanuel Kant’s Ethical Theory of doing the right thing. The approach to decision-making is therefore looking at the proper means. Moral and ethical actions come from understanding what are the rules and customs of the organization and following these. The idea is that by understanding these common, agreed values, a leader can make the right decisions. In the modern context, ethical leadership theories often emphasize either one of the above approaches or a mixture of the three. Importantly, ethical leadership requires a leader to act and lead in an ethical way. This generally means ethical leadership is both visible and invisible. Leader’s actions should show in public and give reassurance to subordinates about the ethical behaviour, but the leader must also think in an ethical manner. The leadership theory requires the leader to have ethics as an integral part of their everyday framework.
Ethics must indeed begin at the top. Leaders cannot shrink from their obligations to set a moral example for their followers; formal ethical codes and ethic training have little chance of success unless the ethical actions and behaviour of top management are consistent with what they teach. Leaders are the key to determine the outcome of organisational goals and to set the tone for employee behaviour which may include promotion, appraisal and strategies. Organisational leaders should encourage employees by leading by examples; they have the responsibility to define organizational norms and values, live up to expectations and encourage their followers to adopt same. Negative examples of immoral behaviour by corporate executives are like a „cancer” on ethical behaviour within organisations. If leaders are perceived to be ruthless and inconsiderate in their business dealings with others, employees are likely to get the message too. Employees want to be associated with managers that are honest, credible, respectful, and fair. Organisations can achieve better employee attraction and retention when employees have the opportunity to work for truly responsible and ethical employers. Failing to be a good leader can lead to increase employee turnover and decrease the likelihood of attracting new employees. This can also increases the costs associated with employee turnover, increase employee supervision, decreases job satisfaction and decrease the level of employee productivity. Indeed, corporate organisations are characterized by bribery, corruption, facilitation payments and discrimination issues among others. These forms of unethical practices if not manage appropriately will likely have spill over effect on the performance of employees. It is therefore, an urgent attention to manage ethical issues worldwide.

Review of Literature: There are three core components of the ethical leadership framework. Internal uniformity Different elements within the organization must be ethically consistent and not have contradictions. Proactivity the framework should tell people what to do, instead of outlining the things you shouldn’t do. Ethical leadership framework looks forward and acts pre-emptively. Vigour the framework is regularly re-examined and updated according to the needs of the organization and the subordinates. In short, the framework is dynamic instead of a static system. Ethical framework helps a leader and the organization to make decisions and approach actions with a coherent plan, instead of having to constantly re-think and assess the situation. A framework will not provide ethical leaders with a clear decision each time, but it makes it easier to analyze the situation and to listen to other people’s opinions regarding the matter. The best
way to go about creating an ethical framework requires you to follow a few simple steps. First, the leader’s ethical framework should always align with that of the organization he or she is leading. Consider the example of having to lead an organization that believes the leader should solely do decision-making, whereas you are a strong believer in collaboration. The ideologies will clash and cause problems. The exemption to the rule is a situation where the organization is seeking for a leader to change the current ethical framework.

Leadership is defined as a process whereby an individual influences a group of individuals to achieve a common goal. Theoretically, there are three basic ways to explain how people become leaders: the trait leadership theory, the great event theory and the process leadership theory. Trait theory is a situation where some personality traits may lead people naturally into leadership roles. A crisis or important event may cause a person to rise to the occasion, which brings out extraordinary leadership qualities in an ordinary person; this is the Great Events Theory. The process theory is a situation when leadership skills are learnt.

Burns (1978), the leadership process occurs in one of two ways, either transformational or transactional. Transformational leadership is concerned with developing a vision that informs and expresses the organization’s mission and lays the foundation for the organization’s strategies, policies and procedures. The transformation leader uses strategies and techniques to empower the followers, enhance their self-efficacy and change their values, norms, and attitudes, which are consistent with the leader’s vision. Transformational leadership style seeks to improve the condition of the followers in order to effectively and efficiently achieve the goals of the organization. The transformational leader uses four forms of behaviour; inspirational motivation, individualized consideration, idealized influence and intellectual stimulation.

Bass & Steidlmeier (1999) argue that leaders may be authentic transformational and pseudo transformational. Pseudo transformational leaders are self-centred, unreliable, power-hungry, and manipulative. Authentic transformational leaders have a moral character, a strong concern for self and others, and ethical values, which are deeply embedded in the vision. However, a transactional leader is concerned with the allocation of resources, monitoring, and directing followers to achieve a given task. The transactional leader influences followers through the use
of rewards, sanctions, and formal authority or position to induce followers’ compliance behaviour. The transactional leader presumes that the employee will not do anything except for a transaction in which the payment for service is large enough to motivate the employee to perform. In transactional leadership style, the employee does nothing out of a sense of loyalty and selflessness toward the organization but only acts as a means of gaining payment.

**Brown, Trevino & Harrison** (2005:120) has 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”. The definition suggests that ethical leader can set the example for others and withstand any temptations that may occur along the way. The importance of good character and the right values, the reality of ethical leadership is far more complex and the stakes are much higher.,** Freeman & Stewart, **(2006) describe an ethical leader as person with “right values” and “strong character”, that set examples for others and withstand temptations. Ethical leaders are stakeholders in organisations, striving to achieve the purpose, vision and value of his realm without compromising self-interest. Ethical leaders embody the purpose, vision, and values of the organization and of the constituents, within an understanding of ethical ideals. They connect the goals of the organization with that of the internal employees and external stakeholders. However, ethical leaders must understand that positive relationships with all organisational stakeholders are the gold standard for all organizational efforts.

**Hartman & Brown** (2000) present a matrix comprising unethical leadership (weak moral person, weak moral manager), hypocritical leadership (weak moral person, strong moral manager), ethical leader (strong moral person, strong moral manager), and ethically silent or neutral leadership (weak/strong moral person, weak moral manager).

**Trevino & Brown** (2004) propose an executive must be perceived as both a “moral person” and a “moral manager to have a reputation of ethical leadership.” A “moral person” is related to good character; the leader is honest and trustworthy, show concern for employee welfare and is seen as approachable. Whereas, a “moral manager,” is one who leads others on the ethical dimension, allow employee to know what is expected, and holds them accountable. Moral managers set
ethical standards, communicate ethics messages, use the position of leadership to promote ethical conduct at work and use rewards and punishments to guide ethical behaviour in the organization. An ethical leader clearly led his organization on ethics and values. People knew what they could expect of him, and they knew what he expected of them from an ethics perspective. Thus, ethical leaders can effectively achieved greater performance within organisations by exhibiting qualities that will influence employee to work harder. This will at the long run assist organisations to achieve their goals and objectives optimally.

**Characteristics of an Ethical Leader:** A good leader has an idea of goodness and respective goals and is willing to hold on to these goals even in difficult times. A good leader is authentic, cares strongly about certain ideas that deserve robust concern and is a person of prudence. In a study conducted on the understanding of executive ethical leadership (Trevino, Brown & Hartman, 2003), ethical leaders are thought to be receptive and open, possess traditional leadership traits such s integrity, honesty, and trustworthiness. Ethical leadership includes transactional leader behaviours such as setting ethical standards and holding followers accountable for ethical conduct. These key identified attributes that characterized ethical leadership which includes character and integrity; ethical awareness; community/people-orientation; motivating; encouraging and empowering; and managing ethical accountability. The characteristics of ethical leadership are

The articulation and embodiment of the purpose and values of the organization by the leader

The leader focus on organizational success rather than on personal ego,

The leader find the best people and develop them,

The ethical leader creates a living conversation about ethics and values.

Makes ethical decisions

Considers the long-term implications of business decisions,

Considers others’ well-being when making decisions and treats others fairly.

Communicates the importance of ethics

Offers training and support for employees on how to act ethically in the workplace. Nevertheless, these unique qualities that characterized ethical leaders make them different from
other leaders of corporate organisations. Ethical leader are those leaders that are sensitive to the interest of all employees without fear or favour.

**Advantages of ethical leadership**

Perhaps the biggest advantage of ethical leadership is how it leads to better rates of job satisfaction, which in turn improves employee commitment. The increased job satisfaction is driven by the leadership theory’s focus on communication and collaboration. An employee won’t feel out of line for expressing their opinion and the relationship between the people in higher ranks and the people in lower positions is based on mutual respect. Each individual is treated with respect and the work they do is appreciated. Furthermore, since ethical leaders lead by example, the helpful behaviour is likely to spread across the organization. Ethical leaders shape the organization and therefore, the organization will attract people whose own moral and ethical framework is similar to that of the leader and the organization. In fact, David Mayer et al found in a study published in 2012 that ethical leadership reduces unethical behaviour in subordinates. Therefore, the leadership theory has a powerful impact across the whole society. The strong ethical framework and leadership example can also help ensure employees report on problems quicker. Issues that might not arise otherwise can become something subordinates feel compelled to discuss with the leadership, which can guarantee the organization won’t run into troubles later. For instance, in companies such as Enron, a stronger ethical framework would have alerted the leadership about the wrong doing. Ethical leadership can also provide an additional collaborative benefit to an organization. As mentioned above, ethical leadership framework embraces collaboration and this doesn’t just imply co-operation within the organization. Ethical companies also collaborate with other organizations that share the same ethical framework. The open approach to dealing with other organizations and being a trustworthy partner can boost innovation within the organization.

Overall, the leadership model can reduce business liability and prevent costly errors within the organization.
Disadvantages of ethical leadership

Despite the positive elements ethical leadership can provide to an organization, it arguably can cause issues as well. Ethical leadership requires the leader’s ethical framework to fall in line with the vision of the organization. But it’s not just the leader and the organization that need to be aligned, the subordinates can find it difficult working in an environment with certain ethical standards. You should be aware by now that ethical behaviour depends on the person’s worldview and therefore, ethical behaviour of an organization might not be considered ethical by another person. The different ethical frameworks can cause tension within an organization and therefore, certain people might not find the environment pleasant or welcoming. Furthermore, ethical leadership can be rather dependent on the leader’s ability to influence. In a way, ethical leadership has charismatic leadership tendencies, which means people might be following the leader without a critical approach. This can mean that employees trust the leader so much, they forget about the leader’s humanity meaning they are blind to any mistakes or problems. For an organization, a blue-eyed approach to following the leader can be devastating in terms of making the right decisions. Ethics are difficult and upholding high ethical standards at all times can be extremely complicated. The so-called grey areas are more than likely to arise and cause issues. The problem for organization is upholding ethics while trying to maintain a positive bottom line. In certain situations, such as keeping up with regulations, the costs can go up and therefore make ethical leadership financially harmful for the business. The downsides in terms of finances tend to be short-term, but the short-term impact can be crucial for new companies, for example. With ethical leadership, organizations are going to have to pay more attention to policies. Clarity is paramount for the leadership model and this can mean the need for clear and coherent policies, rules and regulations. The more detailed the policies, the easier it is to guarantee proper ethical standards are upheld. But this can mean plenty of extra work, especially at the start. The rigorous clarity and consistency could be challenging, especially for smaller organizations.

Finally, as eluded above, the requirements for consistency could act as a drawback. Ethical leadership can be difficult to maintain, but if you step out of the framework once, you can damage the respect earned with your subordinates and other stakeholders. Claiming to be an ethical leader and not acting in an ethical manner could be worse than following another framework but implementing ethical behaviours in occasionally.
Ethical Leadership and Employee Job Performance: Employees are the most important assets in organisations, which without, the goals and objectives may not be attained. Several studies have been conducted on the roles that ethical leaders can play in achieving increase employee job performance. Study revealed that ethical leadership may play a mediating role in the relationship between organizational culture and employee outcomes. The study shows that ethical leadership is more likely to bring about leader’s effectiveness, willingness of employees to put in extra efforts, employees” job satisfaction, and an atmosphere for ethical leadership to flourish; which will ultimately leads to increased employees” job performance. International Journal of Business and Social Science Ethical leadership is associated with positive influence on employee performance, intrinsic motivation and willingness of employee to reports problems suggest that leaders with strong ethical commitments can have impact on “task significance” and “autonomy” of the Job Characteristic model; and the willingness of employee to put extra effort on task performance. If followers perceived top managers good moral image, ethics may be viewed as an important issue within the organization, and this perception may be a translated into a strong appreciation of top management by employees within an organization. In organisations where leadership is perceived to be unethical is manifested in the failure of the leader to follow rules, failing to take responsibility for unethical behaviours, and failing to avoid even the appearance of impropriety. Two important variables are crucial to the issue of ethical leadership in improving employee job performance; trust and employee commitment. As evident in the assertion of some research that good ethics is good for business because it generates positive externalities like trust and commitment to all stakeholders, which in turn assures long-term performance of firms.

Trust: Trust is a sacred and emotional relationship between people the expectation of faith that individuals have on the organisation and leadership (Darcy, 2010). Trust is the foundation for constructive conflict, goal commitment, personal accountability, and achieving collective goals. Trust is a positive expectation that another will not act opportunistically. This is the expectation of others in words, actions or decisions. There are two types of trust; conditional and unconditional trust. Conditional trust is a situation whereby both parties are willing to transact with each other as long as each behaves appropriately and uses a similar interpretive scheme to define situation. Whereas conditional trust is characterized by the shared values that structure the
social situation and become the primary vehicle through which individuals experience trust. Theorists have also identified three types of trust in organisational relationship; deterrence based, knowledge based and identification based. Deterrence trust is based on fear of reprisal if the trust is violated. Individual act in accordance with what they say because of the consequence. Knowledge trust is based on the behavioural predictability that comes from a history of interaction. The identification based trust is on mutual understanding of each other’s intentions and appreciation of the other’s wants and desires. Trust is an important issue in organisations that has effect on performance, and if broken is likely to has serious adverse effect. Employee trust in leaders will likely result to increase in employee compliance with organizational rules and laws, facilitate the implementation of organizational change; and improve employee contributions in terms of performance, intent to remain and civic virtue behaviour. Employees are unlikely to follow leaders that are perceived to be dishonest and may likely take advantage of them. Covey (1998) encourages companies to examine the impact of trust on the bottom line in addition to profits, earnings-per-share, and other figures traditionally thought to determine the success of the company. Low levels of trust can result in organizational decay as relationships deteriorate political strife, infighting, and general inefficiency result; organizations with little or not trust have no basis for future success. Corporate leaders cannot separate the issue of trust from their business dealings. As Fulmer (2004) noted, ethics, values and trust are important issues to executives attempting to recover from a substantial downturn in the national and global economies. Studies have shown that greater trust exists in organisations when employees perceive an organizational climate as ethical. Trust within an organization can contribute to creating greater efficiencies in relationships between managers, subordinates, and top level executives (Leo, 1996). Organizational initiatives to improve trust often generate long term benefits. A good example of a corporate culture which focuses on quality and ethics is Starbucks. Starbucks has won a number of ethics awards and has been recognized as a role model of social responsibility. The company first priority is taking care of the employees in its retail stores who communicate with and serve customers. Starbucks executives believe that by taking care of these employees, the company can provide long-term value to shareholders (Schultz & Yang 1997). Trust is vital to all organisations and it expected that ethical leaders demonstrate behavioural consistency between words and actions; treat all employees fairly without violating human rights.
**Employees Commitment:** Commitment is simply defined as loyalty and attachment of an individual or group to the organisation. Organisational commitment is defined as a state in which an employee identifies with a particular organisation and its goals and wishes to maintain membership in the organisation. Commitment had been used by organisations to predict desired employee behaviour in the areas of performance, absenteeism and emotional attachment. Theoretically, organisational commitment has three components (Meyer & Allen, 1991): affective, continuance and normative. Affective commitment is referred to as an employee’s emotional attachment to the organisation. Continuance commitment is the perceived economic value of remaining with an organisation compared to leaving it. Normative commitment is an obligation to remain with an organisation for moral or ethical reasons. However, studies have shown relationship between ethical leadership behaviour and employee’s organizational commitment. Some of these studies revealed that high levels of perceived ethical leadership behaviour are associated with higher levels of employee’s organizational commitment. In a related fashion, there was a positive relationship on the impact of leader’s ethical behaviour on the employee’s level of commitment to the organisation. Employee commitment is also linked to improved quality of products, enhanced customer loyalty, and lower costs due to a decrease in employee turnover. It is found a positive relationship between corporate citizenship (defined as economic, legal, ethical, and discretionary activities) and employee commitment to the firm. Employee commitment to the organization decreases, product quality drops, customers leave, and employee turnover skyrockets as ethical compliance decreases. It is expected that leaders who exhibit ethical behaviour would be more likely to consider the needs and right of employees and treat them fairly.

**Limitations of the study:** This research is based on ethical leadership. In ethical leadership an individual perception has a great importance. It can be different from person to person. The major limitations of this type research are that researcher many time should assume the situations. He cannot be sure at any stage. All the concerns should have different views and perceptions in many stages. Some time research takes help from assumption.

**Suggestions & Recommendations of study:** Leadership development is an un-ending process of self-study, education, training, and experience. Developing leaders in organisation is a long-
life process; and ethical leadership programmes is design to equip employee with the rudiments for effective management. Ethics does not apply to only those at the top; all individuals no matter the level in the organisation should abide by ethical rule. Thus, every organisation should put mechanism in place in order to develop future leaders for long term survival of businesses. The focus of leadership development should be on producing leaders in the middle who have personal ethical competence, who are good models for those around them, and who can empower others to get the work done in ways that promote harmony and maintain good relationships. This calls for leadership development specifically focused on training ethical leaders throughout the organization (Perreault, 2010). A fundamental focal point in the literature on the development of leaders is that it can be teach and must be taught. Ethically sensitive leaders are needed in time of financial crises, global injustice, climatic change, cultural insensitivity, employee racial and sexual discrimination and the period of corporate financial irregularities. The success of any enterprise, large, medium and small depends on leadership skills and competencies which can be learned through training and practice. Ethical leadership training and development must take the form of deep personal reflection guided by materials that refine the essence of moral principles and leadership insights. Freeman and Stewart (2006) argued that for leadership development effectiveness, the first step is to understand the need for ethical leadership; how the organization benefits its stakeholders and the organization’s values. It is imperative to set aside a brief time to raise concerns about the effects of ethical leadership on key stakeholders, or on a organization”s values and ethics. Many companies have leadership development programs. These programs need to be strengthened by adding the idea of “ethical leadership.” It is not necessary to use the specific principles developed, but organization can make themselves better by engaging participants in a conversation about what they see as “ethical leadership.” Executives can also develop shared conversations and conceptions of how “ethical leadership” can be implemented in their particular organization. Executives need to figure out how to have “challenge meetings,” routine processes where anyone in the organization can raise a challenge to whether or not the organization is living its values, or its enterprise strategy approach. Prince II, Tumlin & Connaughton (2009) identify the followings as critical elements of ethical leadership development. Knowledge of leadership and ethics that provides a conceptual framework for understanding the practice of ethical leadership when one is engaged in leading or following others. Opportunities to practice leadership roles in situations that require collective action
where the learner has some responsibility for outcomes that matter to others. Opportunities to study, observe and interact with leaders, especially leaders who have demonstrated moral courage. Formal and informal assessment of the efforts of those learning to lead ethically. Feedback of the results to the learner along with reflections by the learner on the experience. Strengthening a personal ethic that embodies foundational, core values such as integrity, service to others, and loyalty. To develop ethical leaders, ethics codes need to be clear; proper guidelines to be in place to ensure that all employees understand what are expected of them. Also, organisations need to demonstrate ethical leadership within the culture of hiring, training and development; and to promote and reward those employees who will embrace the ethical standards.

**Conclusions:** Ethical issue is an important issue to corporate organisation and corporate leaders must take proactive measures. Ethical leaders are perceived as having a broad ethical awareness and concern for all stakeholders which includes employee. Therefore, leaders must create an ethically friendly work environment for all employees, communicate ethical issues, serve as role models and put mechanism in place for the development of responsible employees. It is expected that leaders who exhibit ethical behaviour would be more likely to consider the needs and right of employees and treat them fairly. Indeed, every employees want to work for a truly and responsible employer and as such, corporate leaders has to fulfil their obligations on ethical issues and rise up to these expectations. The values and norms of the workplace should be in accordance with ethical issues with systematic approach of total quality management of ethics. The total quality management approach to ethics can help to determine the root cause of ethical behaviour and be managed appropriately. Organisations should strive to hire ethical people. Organisations should focus on ethical skills along with the technical skills in the recruitment screening process. Information on potential employee ethical behaviour can be obtained from resumes, reference checks, background checks and integrity test. Organisations should ensure that all employees participate in ethics training programmes. This will serve as an opportunity for employees to learn and evaluate the impact of ethics on activities and organisational performance. Corporate leaders should reward ethical conduct and discipline unethical conducts. Leaders should make decisions that promote and compensate employees who are not only good
on what they do but also have sound relationship and have developed reputation with customers and co-workers.

References
