

# Impact of Ethical Leadership on Follower's In-role Performance: Evidence from Pakistan

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## Abstract

In the modern world of business, the competition is fierce, the margins are thinning; raising employee performance and loyalty is a major concern for organizations. Many cradles of enhancing productivity and loyalty have been unearthed by researchers and one such driver is “ethical leadership” and that is why Douglas Conant explains “to win in the marketplace you must first win in the workplace.” In this study, we investigate the mediating mechanisms of perceived organizational support (POS) and organizational identification (OI) in explaining the process by which ethical leadership influences follower's in-role performance. This study covers the banking sector in Pakistan, which recommends that ethical leadership nurtures employee in-role performance via POS and organizational identification. This study also offers implication for theory and practices.

**Keywords.** Organizational Identification. POS. In-Role Performance. Ethical leadership. Pakistan.

## 1. Introduction

Academic studies on business ethics and ethical behavior of the members of organization have grown exponentially in recent years due to numerous business scandals in reputable corporations globally. Due to these increasing number of scandals, academicians and practitioners alike are converging their focus on uncovering the determinants of the ethical context of organization (Feng, Zhang, Liu, Zhang, & Han, 2016). Although ethical behavior is the shared responsibility of all the shareholders in an organization but the onus heavily relies on leaders and management concerns for moral issues (Stouten, van Dijke, Mayer, De Cremer, & Euwema, 2013). Ethical behavior of leadership has been considered important because ethical leaders are legitimate authority figures and role models. They are expected to play an important role in providing, communicating and prompting ethical behavior in their followers (Brown, Treviño, & Harrison, 2005). Growing number of studies support the importance of ethical leadership because of having favorable effects on important employee outcomes such as extra-role performance (Tu & Lu, 2016), justice perception (Xu, Loi, & Ngo, 2016), task performance (Mo & Shi, 2016), creativity and innovative work behavior (Chughtai, 2014; Yidong & Xinxin, 2013), unethical behavior (Mayer, Nurmohamed, Treviño, Shapiro, & Schminke, 2013) and employee organizational deviance (Neves & Story, 2015).

Although, number of studies highlighted the role of ethical leadership in enhancing followers' in-role performance, but despite these endeavors, there is immense need and room for further exploration of psychological mechanisms through which ethical leadership employs its influence (Neves & Story, 2015; Newman, Kiazad, Miao, & Cooper, 2014; Walumbwa et al., 2011). Thus, the present study aims to examine the process by which ethical leadership influences employee in-role performance by developing and testing mediation model. Drawing on social exchange theory and social identity process, we examine the role of POS and organizational identification as underlying mechanisms through which ethical leadership transmits its effects on followers' in-role performance. POS refers to employees “global belief concerning to which extent the organization value their contribution and care about their well-being and interest” (Eisenberger, Huntington, Hutchison, & Sowa, 1986). Supervisor is taken an agent of organization by employees (Konovsky & Pugh, 1994) and his actions are considered as organization actions. Ethical leader is caring, trustworthy, and works to ensure the employee welfare (Brown & Treviño, 2006). Therefore, we argue that ethical leadership behavior would strengthen the exchange relationship between both parties as ethical leadership raises the sense of POS and thus employees with high POS will reciprocate towards the organization with higher in-role performance. Similarly, this study offers organizational identification as another underlying mechanism, which refers to “the feeling of oneness or belongingness to a particular organization. This study argue that ethical leadership can enhance follower identification with organization, and those followers who perceive themselves as a part of organization

will put more effort in their job and thus perform better.

With the present study, we attempt to contribute towards the ethical leadership literature through several ways. This study seeks to identify two underlying mechanisms; POS and OI through which ethical leadership relates to employees in-role performance. Through this study, we explore the process through which employees reciprocate towards the organization by testing POS as a mediator and how ethical leadership behavior augments in enhancing this reciprocation process. Similarly, drawing from social identity theory, the present study identifies another potential intervening mechanism (OI) through which ethical leadership influences followers in-role performance.

## **2. Theory and Hypothesis Development**

### **2.1 The Concept of Ethical leadership**

Most of the research on ethical leadership builds on the conceptualization of Brown et al. (2005), as such that “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” (p.120). An ethical leader must be both a moral person and a moral manager (Brown & Treviño, 2006; Brown et al., 2005). “Moral person” possess attributes like integrity, honesty, altruism and trustworthiness, while the “moral manager” dimension of ethical leadership refers to making fair and balanced decisions and displaying sincere care for followers (Brown & Mitchell, 2010; Brown et al., 2005). Ethical leader communicates the importance and benefits of ethical behavior and the cost of inappropriate behavior to his followers (Brown et al., 2005). Ethical leader always sets clear standards and holds employees accountable for conduct, through a fair and balanced reward and punishment system and an ethical leaders is perceived as an honest person and a fair and balanced principled decision maker (Brown et al., 2005; Walumbwa & Schaubroeck, 2009). Moreover, ethical leaders endeavor to change follower ethical behavior by establishing ethical behavioral models and through accountability for employees’ ethical behavior (Brown & Treviño, 2006). There is growing evidence from past researches pointing towards ethical leadership’s clear but distinguished relation with other forms of leadership; including transformational, transactional and authentic leadership (Brown & Treviño, 2006; Brown et al., 2005; Kalshoven, Den Hartog, & De Hoogh, 2011; Mayer, Aquino, Greenbaum, & Kuenzi, 2012). Moreover, the growing number of research demonstrates the importance and usefulness of ethical leadership by linking it with important employee outcomes. Additionally, previous research shows that ethical leadership is important for promoting positive and reducing negative employee behaviors in organizations (Kacmar, Bachrach, Harris, & Zivnuska, 2011; Mayer et al., 2012; Walumbwa et al., 2011; Walumbwa & Schaubroeck, 2009).

### **2.2 Ethical leadership and Perceived Organizational Support**

Perceived organizational support is conceptualized as employees’ general perception concerning the degree to which an organization values their contributions and cares about their well-being, interest and willingness to assist employees’ development and needs (Eisenberger, Armeli, Rexwinkel, Lynch, & Rhoades, 2001). Supervisor is viewed as organization’s core agents by employees (Konovsky & Pugh, 1994). The agent of organization actions are regarded by employees as indication of organization’s intent rather than just as agent’s personal motives and employee interpret their feedback and direction as indicators of organizational support (Eisenberger et al., 1986).

As employees view their supervisor as a representative of the organization therefore treatment received from him/her would exert considerable influence over the employee’s perceived organizational support (Eisenberger & Stinglhamber, 2011). In the present study, we suggest that supervisor ethical leadership augments and strengthens the employees POS. The core characteristics of an ethical leader such as caring, honest, trustworthy, principled and fair decision makers, can make employees readily attribute their supervisor actions and decisions as directed from the organization (Xu et al., 2016) and evaluate supervisor behavior as normatively appropriate for organizations (Mayer, Kuenzi, Greenbaum, Bardes, & Salvador, 2009). Moreover, the “moral manager” dimension of ethical leadership indicates that such leaders set and communicate ethical standards and expectations concerning appropriate conduct from employee and also communicate and direct ethical matters to clarify the kind of behaviors expected from employees by the organization (Loi, Lam, Ngo, & Cheong, 2015; Xu et al., 2016). Ethical leaders take into account their subordinates and treat them with dignity (Brown & Treviño, 2006) and employees attribute such actions by leaders as directives coming from the organization. As leaders represents the organization and thus the fair environment created by ethical leaders may lead to higher employee

POS towards the organization, positive form of leadership is found to be related to higher POS in previous studies (Loi et al., 2015; Stinglhamber, Marique, Caesens, Hanin, & Zanet, 2015). Based on these supports, we can predict that ethical leadership would also be related to POS.

*Hypothesis 1: Ethical leadership is positively related to perceived organizational support.*

### **2.3 Ethical leadership and Organizational Identification**

Organizational identification is mostly explained with social identity theory. According to social identity theory (Tajfel, 1978), the identity of an individual's is the "knowledge of his membership of a social group (or groups) together with the value and emotional significance attached to that membership." While organizational identification is referred to "the perception of oneness with or belongingness to some human aggregate" (Ashforth & Mael, 1989).

Ethical leadership is considered very important to promote and encourage organizational identification in employees, as such leader is trustworthy, and so convey through interpersonal treatment to the followers that they are valuable and respected for them (Walumbwa et al., 2011). Also, it has been argued by scholars that organizational identification get increased in the members of the organization when their leadership are more open and trustworthy (Sluss & Ashforth, 2008; Tyler, Boeckmann, Smith, & Huo, 1997). Ethical leadership is characterized of such traits, who is thrusted, fair, and more open to listen to the employees voice and concerns (Walumbwa & Schaubroeck, 2009). Therefore, this study posits that ethical leadership would increase the employees' organization identification. Some previous empirical work also report positive relationship between ethical leadership and organizational identifications (DeConinck, 2015; Walumbwa et al., 2011). Thus, this study predicts that the following hypothesis, such that:

*Hypothesis 2: Ethical leadership is positively related to organizational identification.*

### **2.4 Perceived Organizational Support and In-Role performance**

The concept of POS is based on organizational Support theory (OST), which suggests the quality of relationship between employee and organization concerning the extent to which organization value their contribution and care about their interest and well-being (Eisenberger et al., 1986). According to Kurtessis et al. (2015) argument OST incite upon social exchange theory such that employee reciprocate to the tangible benefits and social resources from the organization with effort and loyalty toward the organization (Cropanzano & Mitchell, 2005). Through norm of reciprocity employee with high POS feel obligated to reciprocate towards the organization with more efforts in work, resulting in enhanced in-role performance (Kurtessis et al., 2015). Their Meta-analysis Kurtessis et al. (2015) posit that high POS enhance employee in-role performance.

The role of supervisors is particularly important in the development of POS because employees take the treatment received from the supervisor as partly from organization (Shoss, Eisenberger, Restubog, & Zagenczyk, 2013). In the current investigation, drawing on social exchange theory, we argue that POS acts as a mediator between ethical leadership and subordinate in-role performance. As discussed in above portion, ethical leadership behavior increases the sense of POS such that the care and consideration from ethical leader is implied as the organization's care and support (Loi et al., 2015). Employees with high POS engage in greater job-related efforts, which leads to enhanced in-role performance (Shoss et al., 2013). Moreover, when employees receive support from supervisor and organization they reciprocate with loyalty towards the organization (Shoss et al., 2013) and increase the desire to remain in the organization (Liu & Ding, 2012). Thus, based on above arguments, we offer the following predictions:

*Hypothesis 3: POS mediates the relationship between ethical leadership and in-role performance.*

### **2.5 Organizational Identification and In-Role performance**

Similarly, this study propose that organizational identification will mediate the positive relationship between ethical leadership and employee in-role performance. Because, employees who identify themselves with organizations are tends to contribute positively to the organization in term of performance (Van Knippenberg, 2000; Walumbwa et al., 2011). Individuals who identify themselves with organization perceive more share characteristics with organization (Knippenberg & Schie, 2000), and such employees align their interests with organizational interest, and even give more preference to the collective interests of the organization over their personal interests (Knippenberg & Schie, 2000; Van Knippenberg, 2000). These turns to more employee's efforts

to achieve organizational goals and so high motivation towards their work too. The more effort and high motivation in their job role will certainly leads to heightened in-role performance of the employee in the workplace. Growing research work also support this argument and found a positive relationship between organizational identification and job performance (e.g., Smidts, Pruyn, & Van Riel, 2001; Walumbwa et al., 2011). With this literature support, we can argue that organizational identification will mediates the link between ethical leadership and employee in-role performance. Thus, we propose that:

Hypothesis 4: OI mediates the relationship between ethical leadership and in-role performance.

### 3. Method

#### 3.1 Sample and Procedure

We collected data for this study from a sample of employees working in the banking sector in two major cities Islamabad and Peshawar in Pakistan. We administered the survey ourselves and the participants returned the survey questionnaires directly to one of the authors. Participants of the study were assured about the anonymity and confidentiality of all responses and that the data would be used only for academic purposes. In order to reduce common method bias, data was collected in two phases from two sources, employees and their immediate supervisors in 40 days' period (Podsakoff, MacKenzie, & Podsakoff, 2012). Further, to match the responses in two times and two sources, we assigned a unique 'ID' to each questionnaire. A cover letter was attached with each questionnaire to explain the importance and usefulness of study.

A total of 310 employees agreed to participate in the survey. In phase one participants were asked to rate their perceptions of immediate supervisor' ethical leadership, their own organizational identification and perceived organizational support. Similarly, the second questionnaire was distributed in phase two, in which supervisor were asked to rate their immediate subordinates in-role performance. After removing incomplete and unmatched responses we got a 252-useable sample size for data analysis, representing a response rate of 81%.

The final sample size of 252 respondents includes 73% male and 27% female employees, 81% employee were in the age group 30-34 or below. The average organizational tenure was 5.57 (SD = 6.7). Besides that, 64% of them had Master degrees, 32% undergraduate degree and 4% had associate or below qualification.

#### 3.2 Measures

The instruments items used in this study were adopted from well-established scales to measure all the study variables. As English is the official working language and all literate people understand English well, therefore, we administrated the scales in English.

*Ethical Leadership:* In this study, we measured supervisor ethical leadership using "10-items ethical leadership scale" developed by Brown et al. (2005). Subordinates rated the ethical leadership of their supervisor on a five-point Likert scale (1 = strongly disagree, 5 = strongly agree). Sample items are "My supervisor sets an example of how to do things the right way in terms of ethics" and "My supervisor makes fair and balanced decisions". The Cronbach's alpha for this scale was 0.90.

*Organizational Identification:* We measured organizational identification by using five-item scale developed by Smidts et al. (2001). Employees were asked to self-rate each item of their OI on five-point Likert scale (1 = strongly disagree, 5 = strongly agree). The sample item includes: "I am glad to be a member of this organization" and "I feel strong ties with my organization". The Cronbach's alpha for organizational identification scale was 0.82.

*Perceived Organizational Support:* We measured POS with six-item short version of the SPOS (Eisenberg et al., 1990) following procedure Eder and Eisenberger (2008) procedure. A sample item includes "My organization cares about my opinions" and "My organization strongly considers my goals and values". Employees responded on five-point Likert scale (1 = strongly disagree, 5 = strongly agree) to assess POS. The Cronbach's alpha for the scale was 0.83.

*In-Role Performance:* We measured employees' in-role performance using a seven-item scale developed by Williams and Anderson (1991). Supervisors were asked to evaluate their immediate subordinates' in-role performance using five-point Likert scale (1 = strongly disagree, 5 = strongly agree). A sample item includes: "This employee performs tasks that are expected of him or her". The Cronbach's alpha for this scale was 0.87.

*Control Variables:* This study controlled for individual level variables while hypotheses testing includes, employees' gender, education, age and tenure in an organization. Previous research has shown influences of these variables on performance (Sturman, 2003). Gender was coded as 1 for female and 2 for male. Education is coded as 1= associate and below, 2= undergraduate, and 3= postgraduate and above. Tenure in organization was classified in six levels (1 = less than 1 year, 2 = 1-5 years, 3 = 6-10 years, 4=11-15 years, 5 = 16-20 years, 6 = 20 and above), while age was measured as 1 = 20-24 years old, 2 = 25-29 years old, 3 = 30-34 years old, 4 = 35-39 years old, 5 = 40 years old & above.

### 3.3 Analytic Strategy

In first step of our analysis, we calculated descriptive statistics and internal consistencies (Cronbach's alpha) for our variables presented in Table 1. In the next step, we estimated the fit of our hypothesized model using confirmatory factor analysis (CFA) via AMOS 20.0. To assess overall model fit, we used multiple fit indices, including the incremental fit index (IFI), Tucker-Lewis index (TLI), root mean square error of approximation (RMSEA) and comparative fit index (CFI). The cutoff for reasonable fit was used for IFI, TLI and CFI above 0.90 (Bentler & Bonett, 1980; Byrne, 2013; Tucker & Lewis, 1973) and for RMSEA below 0.08 (Browne, Cudeck, Bollen, & Long, 1993).

In the next step, to test our hypotheses we performed a series of hierarchical regression analyses. We followed Baron and Kenny (1986) four steps procedure for testing mediating effect of two mediators POS and OI. To examine the mediation, first the independent variable must significantly have related to mediator, second the independent variable be significantly related to dependent variable, third the mediator variable be significantly related to dependent variable and fourth is that, when regressing the dependent variable on the independent variable and the mediator, the effect of the independent variable on the dependent variable be reduced and/or became insignificant.

To further assess the significance of the indirect effect of mediation we adopted the bootstrapping procedure using PROCESS program for SPSS (Hayes, 2013). Research has shown that bootstrapping procedure is one of the most powerful way for testing mediation effects (Hayes, 2009; Zhao, Lynch, & Chen, 2010). To establish mediation, 95% bias-corrected bootstrap confidence interval (CI) for the indirect effects were constructed from 5,000 bootstrap samples. Moreover, to reduce problems associated with issue of multicollinearity, we grand-mean centered all variables prior of analysis (Aiken & West, 1991).

## 4. Results

### 4.1 Descriptive Statistics

The means, standard deviations and correlations among the studied variables are presented in Table 1. Results presented in Table 1 shows that ethical leadership was positively correlated with both OI ( $r = .56, p < 0.01$ ) and POS ( $r = .58, p < 0.01$ ). Meanwhile, it was found that OI was positively linked with in-role performance ( $r = .54, p < 0.01$ ). Similarly, the results show that POS was positively correlated with in-role performance ( $r = .44, p < 0.01$ ). All these results provide prior support to our hypotheses.

### 4.2 Confirmatory Factor Analysis

Before testing our study hypotheses, we conducted confirmatory factor analysis (CFA) through AMOS 20.0 to assess discriminant validity among the study variables and the comparison of five-factor model with different alternative models. The hypothesized five-factor model was specified by loading indicators to their respective factors. Results for the five-factor hypothesized model showed a good fit for that data:  $\chi^2 (df = 367) = 521.83, p < 0.001$ ; CFI = .96, IFI = .96, TLI = .95 and RMSEA = .041. All the standardized factor loading was acceptable and significant on to their respective latent factors. Next the fit of five-factor hypothesize model was compared with fit of several alternative models. The results for all alternative models shows poor fit against five-factor hypothesized model. These results in Table 2 revealed that hypothesized model was a better fit than all the alternative models, which also providing evidence for discriminant validity. Moreover, all together these results provide evidence for the distinctiveness of the five measures used in this study.

Table 1: Mean, Standard Deviations, Reliability and Correlation

| Variables              | M    | SD  | 1      | 2     | 3    | 4      | 5     | 6     | 7     | 8     |
|------------------------|------|-----|--------|-------|------|--------|-------|-------|-------|-------|
| Age                    | 2.70 | 1.0 | NA     |       |      |        |       |       |       |       |
| Gender                 | 1.61 | .48 | .39**  | NA    |      |        |       |       |       |       |
| Education              | 2.52 | .60 | -.07   | .01   | NA   |        |       |       |       |       |
| Tenure in organization | 5.56 | 6.7 | .68**  | .27** | -.10 | NA     |       |       |       |       |
| Ethical leadership     | 3.82 | .63 | -.18*  | .02   | .03  | -.12*  | (.90) |       |       |       |
| OI                     | 3.49 | .62 | -.02   | .02   | .08  | -.00   | .56** | (.82) |       |       |
| POS                    | 3.62 | .61 | -.19** | .01   | -.02 | -.16** | .58** | .42** | (.83) |       |
| In-role performance    | 3.78 | .58 | -.13*  | -.02* | .11* | -.13*  | .54** | .61** | .44** | (.87) |

\*p < 0.05; \*\*p < 0.01

### 4.3 Hypotheses Testing

The results for hierarchical regression analysis are presented in table 3 and 4. To test hypothesis 1 and 2, we controlled for demographic variables in step 1 and then check if ethical leadership significantly related to OI and POS in step 2. Results revealed that the unstandardized regression coefficient between ethical leadership and POS ( $\beta = 0.55$ ,  $p < 0.001$ ) and ethical leadership and OI ( $\beta = 0.51$ ,  $p < 0.001$ ) was significant, thereby supporting both hypotheses 1 and 2.

Hypothesis 3 and 4 predicts that OI and POS will mediate the effects of ethical leadership on employee in-role performance. To test the mediating effects, we followed four-step procedure of Baron and Kenny (1986) as mention earlier. In step one, after controlling for demographic variables, we found that ethical leadership was significantly related to POS (H1), and ethical leadership was significantly related to in-role performance ( $\beta = 0.51$ ,  $p < 0.001$ ). In step 2, POS was significantly related in-role performance ( $\beta = 0.19$ ,  $p < 0.001$ ), while in step 3. In step 4, when ethical leadership and POS were simultaneously included in regression model the significant relationship between ethical leadership and in-role performance reduced in magnitude but still remain significant ( $\beta = 0.40$ ,  $p < 0.001$ ) providing support for partial mediation for hypothesis 3.

Table 2: Results of confirmatory factor analyses: comparison of measurement models

| Models                             | $\chi^2$ | df  | $\Delta\chi^2$ | CMIN/DF | CFI  | IFI  | TLI  | RMSEA |
|------------------------------------|----------|-----|----------------|---------|------|------|------|-------|
| Five-Factor Model (baseline Model) | 521.83   | 367 | —              | 1.42    | .963 | .963 | .959 | .041  |
| Four-Factor Model a                | 746.03   | 371 | 224.2          | 2.01    | .910 | .911 | .901 | .064  |
| Three-Factor Model b               | 970.22   | 374 | 448.39         | 2.59    | .857 | .858 | .844 | .080  |
| Two-Factor Model c                 | 1301.02  | 376 | 779.19         | 3.46    | .778 | .779 | .760 | .099  |
| One factor Model d                 | 2340.6   | 377 | 1819.5         | 6.20    | .528 | .531 | .492 | .144  |

(a: ethical leadership and POS merged into one factor. b: Ethical leadership, POS and OI merged into one factor. c: ethical leadership, POS, OI and in-role performance merged into one factor. d: All are merged in one factor).

Table 3: Mediating effects of OI

| Variables            | OI     |         | In-role performance |         |         |
|----------------------|--------|---------|---------------------|---------|---------|
|                      | Step 1 | Step 2  | Step 1              | Step 2  | Step 3  |
| Control variables    |        |         |                     |         |         |
| Age                  | -0.19  | -0.14   | -0.45               | 0.01    | 0.05    |
| Gender               | 0.01   | -0.02   | 0.03                | -0.02   | -0.02   |
| Education            | 0.05   | 0.06    | 0.10                | 0.12    | 0.10    |
| Tenure in org        | 0.01   | 0.01    | -0.00               | -0.00   | -0.00   |
| Independent variable |        |         |                     |         |         |
| Ethical leadership   |        | 0.51*** |                     | 0.51*** | 0.26*** |
| OI                   |        |         |                     |         | 0.41*** |
| R2                   | 0.05   | 0.16    | 0.03                | 0.31    | 0.44    |
| Adjusted R2          | 0.03   | 0.14    | 0.01                | 0.30    | 0.43    |
| F-value              | 3.54   | 9.36    | 2.04                | 22.11   | 32.63   |

\*p < 0.05; \*\*p < 0.01; \*\*\*p < 0.001, Org: organization

Similarly, hypothesis 4 posits that OI will mediate the relationship between ethical leadership and in-role performance. We followed the similar procedure as followed for hypothesis 3, to test this hypothesis. The result as presented in Table 3, shows that ethical leadership is positively related with OI ( $\beta = 0.51$ ,  $p < 0.001$ ), and in-role performance ( $\beta = 0.51$ ,  $p < 0.001$ ). Similarly, OI was positively related with in-role performance ( $\beta = 0.41$ ,  $p < 0.001$ ). In step 4, when we entered all variables to the regression equation, the magnitude of relationship between ethical leadership and in-role performance reduced significantly ( $\beta = 0.26$ ,  $p < 0.001$ ), while the relationship between OI and in-role performance remain significant, thus provide support for mediation.

To further confirm the mediation effects of OI and POS, we employed the bootstrapping procedure (Hayes, 2013), to test the significance of these indirect effects. Results for bootstrapping is given in table 5. A bias-corrected bootstrap using 5000 resamples finds that the indirect effect of ethical leadership on in-role performance via POS was 0.06 (95% CI .0073 to .1414), and as, CIs does not contain 'zero' for the indirect effect, therefore hypothesis 3 get further support (Preacher & Hayes, 2008). Similarly, the indirect effect for ethical leadership on in-role performance via OI was 0.23 (95% CI 0.1535 to 0.3415). As zero is not included in the confidence interval, therefore hypothesis 4 also get further support.

Table 4: Mediating effects of POS

| Variables            | POS    |         | In-role performance |         |         |
|----------------------|--------|---------|---------------------|---------|---------|
|                      | Step 1 | Step 2  | Step 1              | Step 2  | Step 3  |
| Control variables    |        |         |                     |         |         |
| Age                  | -0.10  | -0.03   | -0.45               | 0.01    | 0.05    |
| Gender               | 0.10   | 0.03    | 0.03                | -0.02   | -0.02   |
| Education            | -0.05  | -0.03   | 0.10                | 0.12    | 0.10    |
| Tenure in org        | -0.01  | -0.01   | -0.00               | -0.00   | -0.00   |
| Independent variable |        |         |                     |         |         |
| Ethical leadership   |        | 0.55*** |                     | 0.51*** | 0.40*** |
| POS                  |        |         |                     |         | 0.19**  |
| R2                   | 0.05   | 0.34    | 0.03                | 0.31    | 0.33    |
| Adjusted R2          | 0.03   | 0.33    | 0.01                | 0.29    | 0.32    |
| F-value              | 3.03   | 26.19   | 2.04                | 22.11   | 20.63   |

\*p < 0.05; \*\*p < 0.01; \*\*\*p < 0.001

## 5. Discussion

The main aim of this was to investigate the mediating role of POS and OI in the relationship between ethical leadership behavior and employee in-role performance. Our result revealed that OI mediates the effects of ethical leadership on employee in-role performance. The results also provide support to the mediating role of POS between the positive relationship of ethical leadership and employee in-role performance. The implications for this study findings provide number of important theoretical contributions to ethical leadership literature as discussed below.

Table 5. Bootstrapping results for mediation effects of OI and POS

| Mediating effects | $\beta$ | SE   | LLCI   | ULCI   |
|-------------------|---------|------|--------|--------|
| Via POS           |         |      |        |        |
| EL-POS-IP         | 0.06    | 0.03 | 0.0073 | 0.1414 |
| Via OI            |         |      |        |        |
| EL-OI-IP          | 0.23    | 0.04 | 0.1535 | 0.3415 |

Original n = 252, bootstrap sample n = 5000 EL = Ethical leadership, OI = organizational identification, IP = In-role performance, POS = Perceived organizational support

## 6. Theoretical and Practical Implications

First, this study has explored the salience of two important underlying mechanisms POS and OI as potential mediators by which ethical leadership transmits its effects on employee in-role performance. Our study suggests that ethical leadership exerts its influence on follower in-role performance by facilitating social exchange mechanism in himself and followers. Our findings suggest that an ethical leader works for employee interest and well-being and creates personal bonds with his followers through a relationship of mutual trust and respect, for which in return followers reciprocate with enhanced work attitude and commitment towards the organization to

benefit the leader and the organization. Results of this investigation suggest that ethical leadership enhance follower in-role performance and these effects are partially mediated by OI and POS. Thus, this study provides further useful insights into what an ethical leader can do to improve follower performance. Moreover, our study findings revealed that ethical leadership behavior plays an important role in developing the sense of POS and promoting OI in employees. As our findings for this study suggests that OI and POS partially mediate the effects of ethical leadership on the employee in-role performance, which shows that there may be some other underlying process involved with these two mediators in ethical leadership process. Moreover, data used in this investigation are multi-source and time-logged design. Flawed research design can undermine the validity of the study results (Podsakoff et al., 2012).

The findings of this study offer some important managerial implications for organizations. The findings revealed that ethical leadership is important for enhancing sense organizational identification and employee perceived organizational support, which help further in enhancing employee in-role performance. Therefore, it is greatly advised that organizations should emphasize on ethics of candidates while hiring and during appraisals for promotions in the organization and devote more efforts to promote ethical leadership behaviors in their supervisor and managers across all level (Loi et al., 2015). Organizations can also design some training programs to encourage managers to learn and exhibits ethical leadership behavior. Managers should also be motivated to encourage employees and give them a sense of psychological safety and strengthen their perceived support from the organization. Additionally, as the results from this study and other empirical studies demonstrate that ethical leadership can have positive impacts on employee work attitudes, therefore, organizations need to promote ethical behaviors among both supervisors and subordinates.

## 7. Limitations and Future Research Directions

Similar to other empirical studies, our study also has some limitations and should be keep in mind while interpreting the results for this study. First, we used convenience sampling to collect our data, which may reduce the validity of the study. Second, we collected data from single industry, banking sector of Pakistan. This may limit the generalizability of our results in others work context. Therefore, we suggest that future research should validate our study findings with random sampling and samples collected from other industries. Third, we collected data about independent variable and mediators in same time. It will be better to collect data about both in different times in future research. Fourth, although, we used time-logged data design to strengthen casual inferences, but it is recommended for future studies to use a longitudinal study design. Furthermore, as mentioned earlier Pakistan is a collective society, high in power distance and having religious influences. Research in future can test for the boundary conditions for these aspects specified.

## 8. Conclusion

The present study contributes to the growing research on ethical leadership by examining the underlying mechanisms linking ethical leadership and employee in-role performance. Specifically, in line with social exchange and social identity perspective, results posit that ethical leadership can increase the employees in-role performance by increasing the sense of organizational identification and by strengthening employee perceived organizational support. We hope that the findings of our study will inspire other researchers to evaluate the impact of ethical leadership on more individual and organizational level outcomes as well as understanding other underlying mechanisms.

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