Ethics and Organizational Performance: Exploring the Impact of Leadership in Higher Education

**ABSTRACT:**

It is impossible to overstate the role that ethical leadership plays in driving higher education institutions (HEIs) success in light of the rapid pace of change in the sector. This study analyzes the revolutionary potential of ethical leadership in higher education institutions and demonstrates its huge impact. We delve into faculty members' perceptions and descriptions of their own institutions' achievements and failures to examine the link between ethical leadership and organizational performance in HEIs. A quantitative cross-sectional survey was employed. The participants of the study were teaching faculty of higher educational Institutions of District Dera Ismail Khan Khyber Pakhtunkhwa Pakistan. Through surveys, 210 faculty members from HEIs provided the data for this study, which was then analyzed using SPSS-26. This study investigates how much ethical leadership practices have an impact on organizational performance in the setting of higher education. The findings shed important light on how faculty members view ethical leadership and its bearing on organizational success. The study's findings add to the existing body of information on ethical leadership in HEIs and have implications for leaders and administrators in developing a culture of ethical leadership to improve organizational performance.

**Keywords:** Ethical Leadership, Organizational Performance, Higher Education Institutions.
Introduction

Scholarly attention in the early study on leadership (Ciulla, 1995; Hogan et al., 1994; Judge, Bono, et al., 2002) focused heavily on a leader's ability to influence and guide the behavior of followers to achieve desired goals. In the last decade, the topic of ethical leadership has received a great deal of coverage in both the scholarly and mainstream media. Ethical leadership has been shown to have a favorable effect on a variety of work-related outcomes, including ethical behavior, job performance, organizational commitment, and job satisfaction (Bedi et al., 2016). The opposite is true; research shows that ethical leadership reduces employee turnover, dysfunctional conduct on the job, stress at work, and abusive management. The conceptual fuzziness of ethical leadership and its influence beyond the leader-follower relationship into a wider organizational domain remain poorly understood, despite the abundance of literature on the causes and effects of ethical leadership. Recently, there has been a rise in the number of ethics-related academic studies across a range of fields (Den Hartog, 2015). An organization's "ethics" are its moral guidelines for what is and is not tolerated within the company's culture (April et al., 2010).

Leadership is a core management skill, and ethical leadership is critical for fostering an honest and creative workplace culture. Moreover, workers commonly experience stress, conflict, and work-related issues, which can lead to substantial societal costs and diminish an organization's long-term efficacy (Farmer et al., 2007). Despite the importance of ethical leadership, the research to date has neglected to discuss how ethical leadership approaches are put into action in nations with vastly different cultures and what effects this has on individual and organizational outcomes. Yet, the component of leadership that relates to guiding people to attain organizational goals, such as maintaining and enhancing organizational performance, has been largely disregarded in previous studies. The public's perception of a firm and its bottom line is closely related to the activities of its top executives, yet there is a significant information gap about the impact of ethical leadership on these metrics.

Depending on the organization's response, workplace repercussions can have positive or negative consequences on workers. It takes strong leadership to strike a balance between raising productivity and reducing stress on the job. For leaders to effectively encourage moral conduct within their teams, they should adopt an ethical leadership style (Brown et al., 2005). However, the extent to which ethical leadership influences output remains uncertain. Since this is a widespread issue in the higher education sector and there is a growing emphasis on ethics in academic organizations (Liu & Yin, 2023), the primary goal of this research is to determine the extent to which ethical leadership affects the performance of academic lodging service content employees. While ethical leadership has been suggested as a strategy for ensuring the future success of stakeholders (students) in the academic setting (Dimitriou, 2018; Toytok & Kapusuzoglu, 2016).

Therefore, it is not easy to pin down how ethical leadership influences productivity in universities. There is no simple way to define or put into practice what constitutes ethical leadership. It is difficult to draw a direct line between ethical leadership and organizational success in today's complex higher education institutions and the myriad factors that affect organizational performance. Despite these challenges, research shows that teaching and learning about ethical leadership in higher education increases institutions' reputation, trustworthiness, and ability to attract and retain talented students. Attracting students, teachers, workers, donors, and the public requires ethical leadership.

This study contributes by laying the groundwork for improved organizational performance and ethical leadership in academic institutions. Possible outcomes include better connections with and trust from influential parties, as well as increased efficiency, effectiveness, and inventiveness. Leaders and managers in higher education may learn a great deal about how to motivate employees to act ethically and enhance organizational outcomes by examining the connection between ethical leadership and business success. This will help them become better leaders and advance their careers. These results have substantial ramifications for how we conceptualize the relationship between ethical leadership practices and a productive workplace culture. Workers may feel more encouraged to give their tasks their all as a result. Students interested in becoming university administrators would do well to look into the correlation between ethical leadership and organizational success since doing so would teach them much about the value of honesty and integrity in the position. They could learn something from this that will help them become better leaders in the future. Briefly, this can be beneficial for the community at large since it encourages leaders to act with honesty.
and integrity, which in turn benefits other businesses and the neighborhood. Potential outcomes include a more sustainable, equitable, and just society.

**Literature Review**

**Theoretical Basis**

Within the field of organizational psychology, institutional theory has rapidly grown in prominence during the past decade. This theory describes how and why organizations agree to societal and institutional norms (Scott, 2008; DiMaggio & Powell, 1983) with regard to the policies and procedures they implement. It suggests that organizations should act in ways that consider the full social network in which they participate, not just the traditional employer-employee or supervisor-subordinate dynamics. The institutional theory has been used to analyze both specific employee actions and broader organizational dynamics and institutional structures. It has been applied to studies of institutional work, entrepreneurship, legitimacy, logic, and leadership, among other topics. According to Anderson et al. (1994), institutions have their own internal dynamics and external social networks that influence their actions. These actions are driven by factors other than financial incentives, such as rules and customs. As Scott (2008) points out, there is a moral dimension to institutional legitimacy; hence, the institutional theory must be related to ethics. While Choi and Chang (2009) found that institutional, facilitators including resources, organizational structure, and leadership strongly affected how people felt about their workplace. However, the effects of leaders' lack of ethical conviction on followers and organizations have received little attention in the literature thus far (Eisenbeiss, 2012). This information gap has prompted scholars to look at the relationship between ethical leadership and organizational performance via the lens of institutional theory, arguing that workers give their jobs meaning, take on personal responsibility, and give themselves Scott's (2008) license to act in ways that affect institutional enablers. Hence, institutional theory can provide a useful framework for comprehending the complex interplay between organizational behavior, leadership, and ethics. Academics may get insight into the functioning of firms and opportunities for improvement by exploring these interconnections.

**Ethical Leadership**

One common theme throughout many leadership philosophies is the need to inspire others under one's command. By giving their followers intellectual stimulation and one-on-one support, transformational leaders motivate their followers to put the group's needs ahead of their own (Burns, 1978). While leaders consider employee feedback while allocating resources, making major decisions, and working with subordinates, they foster a positive work environment (Rafferty & Griffin, 2006). The success and development of their followers are paramount to servant leaders, therefore they put those of their followers before their own (Greenleaf, 1998). While different from other leadership styles, ethical leadership may exist alongside them (Brown & Trevino, 2006; Den Hartog & Belschak, 2012). Examples of traits shared by ethical and servant leaders include the ability to persuade via words and actions and the willingness to put others before oneself (Brown and Trevino, 2006). When compared to ethical leaders, who value their success above all else, servant leaders put the group's needs ahead of their own (Graham, 1991). Trustworthiness, concern for their followers, and leading by example are hallmarks of all spiritual, authentic, transformative, and ethical leaders. Ethical leaders are moral managers who respect ethical norms, whereas transformational leaders place a premium on vision, values, and intellectual stimulation (Brown & Trevino, 2006). Furthermore, spiritual leaders emphasize hope, faith, and vision. Similarly, leaders who put thought into their work can inspire trust and respect from their staff (House, 1971). The empathetic leader, on the other hand, does not demonstrate acceptable behavior. This highlights the need for more study on the topic of ethical leadership. There has been a rise in unethical situations in the hospitality business, and with them, lawsuits.

Leaders who exhibit high ethical standards can influence their followers to follow suit (Heres & Lasthuizen, 2014). In addition, followers of ethical leaders are more loyal and trusting of their leaders, which can have a positive impact on their behaviors and outlooks on the job (Kalshoven et al., 2011). According to the findings of this study, there are significant benefits for firms that have ethical leadership. The ethical standards of upper-level management have been shown to permeate the organization as a whole (Brown & Trevino 2014; Schaubroeck et al. 2012). Followers of leaders who defend them frequently share strong moral values and ethical standards. If employees have faith in their
ethical leaders and organizations, they are more inclined to act ethically while engaging with stakeholders. Leaders who are committed to acting morally and who also have the vision, forethought, and initiative to forgo possible ethical dilemmas are in high demand. To optimize the organization's capacity as a good corporate citizen, ethical executives must constantly consider the interests of all stakeholders and work to strike a balance between them. Leaders who exhibit moral conduct provide a good example for their followers. They are open to feedback from all parties that are interested in the organization's activities and the formulation of its policies. Leaders who preserve moral principles while managing effectively are essential (Kim & Thapa, 2018; Schweper & Dimitriou 2021). Ethical leadership and management can inspire employees and inspire them to put more thought and effort into coming up with new ideas by changing their perspective on the work they do and the world in which they do it.

Organizational Performance

Organizational researchers have varying perspectives on the concept of performance. It remains a contentious issue (Barney, 1997). Javier (2002) equates performance with the 3Es (economy, efficiency, and effectiveness) of a particular program or activity, whereas Daft (2014) defines organizational performance as the ability to achieve its goals through efficient and effective resource utilization. Similarly, Danilwan and Dirhamsyah (2022) see organizational performance as the accomplishment of goals and objectives. However, performance suffers from a lack of clarity and understanding, as Hefferman and Flood (2000) pointed out. This is manifested in the lack of a clear definition and a measurement methodology. Productivity is sometimes confused with performance, whereas Shahzad et al., (2012) argue that productivity is a subset of performance, which is a broader term encompassing factors such as quality, consistency, behavior, normative measures, and education and training. Performance measures include criterion-based and normative measures, education and training, as well as management development and leadership training, which are crucial for building performance management skills and attitudes. Based on the above literature review, the term "performance" should be broader and inclusive of effectiveness, efficiency, economy, quality, consistency, behavior, and normative measures (Hanaysha & Alzoubi, 2022).

Ethical Leadership and Organizational Performance

Personnel who have a positive effect on organizational performance (Khademfar, 2013) foster a pleasant workplace environment for managers and other employees. According to these experts, who ascribe a large part of this influence to the leadership style, leaders’ ethical behavior not only motivates employees but also helps to build trust amongst them. Leaders who preserve ethical standards foster a culture of respect and collaboration, which has a positive effect on their subordinates. Organizational performance is critical to individual employee success, just as employee performance is essential to the success of a company (Khademfar, 2013). An organization's success is determined by how long it survives and prospers. All of the definitions emphasize effectiveness, efficiency, and relevance as essential elements of successful organizations (Jenatabadi, 2015). According to Kim and Thapa (2018), improving a company's operational and commercial performance is also crucial to improving its economic performance. Operational performance shows improvements in operational efficiency. Commercial performance, on the other hand, focuses on how well a company satisfies client needs and how well its products conform to social norms. Managers and employees alike should do everything they can to maximize each employee's performance to complete assigned duties and meet organizational objectives (Malik et al., 2016). To fulfill their duties, employees sometimes need clear instructions from their superiors or leaders.

According to Khademfar and Amiri (2013), ethical leadership enhances firm performance as well as the attitudes and behaviors of employees. Additionally, ethical leadership influences worker performance and fosters trust. Organizational performance is enhanced by operational and commercial performance. Achieving firm objectives depends on employee performance (Butt, 2016). Organizational effectiveness and strategic planning have been the focus of research into ethical leadership. Eisenbeiss et al., (2015) reported that leaders’ backgrounds, values, and personalities influence strategic decisions and the effectiveness of an organization. Work productivity and employee initiative to better the organization both increase under ethical leadership. Increased productivity and job satisfaction are two outcomes of ethical leadership (Neubert et al., 2013). Ethical leadership enhances organizational effectiveness. According to Eisenbeiss et al. (2015) and Riggio (2010), ethical leaders have a responsible, fair, honest, and people-
centered disposition. Similar studies by Feng et al. (2019) and Thapa (2019) show that ethical leadership may encourage better services and increase organizational performance (Piccolo et al., 2010). Hence, we proposed that:

H1: Ethical Leadership has a positive relationship with organizational Performance.
H2: Ethical Leadership has a positive effect on Organizational Performance.

Method

This study aimed to investigate how ethical leadership impacts organizational performance. A standardized questionnaire was used to collect the data. We evaluated ethical leadership (EL) using a scale created by Brown et al. (2005, p. 120). It consists of ten questions with responses on a Likert scale ranging from (1) "strongly disagree" to (5) "strongly agree," with higher scores suggesting that respondents have seen their supervisor demonstrate ethical leadership characteristics. The four-item (Singh, 2000; Schepker & Dimitriou, 2002) scale was used to evaluate organizational performance. This strategy enabled us to obtain valid and reliable data, and we used SPSS 26 for analysis. Descriptive statistics were used to summarize data and describe the sample quantitatively, while inferential statistics were employed to determine the impact of ethical leadership on organizational performance. The participants of the study were teaching faculty of higher educational Institutions of District Dera Ismail Khan Khyber Pakhtunkhwa Pakistan. 210 questionnaires were received and analyzed. The data was collected by informing department heads, deans, and research offices providing them with the necessary ethical clearance paperwork, and requesting their consent to access faculty for data collection.

Results

Table 1

Data Normality

<table>
<thead>
<tr>
<th>Variables</th>
<th>n</th>
<th>Mean</th>
<th>SD</th>
<th>Skewness</th>
<th>Kurtosis</th>
<th>Cronbach’s Alpha</th>
</tr>
</thead>
<tbody>
<tr>
<td>EL</td>
<td>210</td>
<td>3.45</td>
<td>0.837</td>
<td>-0.345</td>
<td>0.132</td>
<td>0.813</td>
</tr>
<tr>
<td>OP</td>
<td>210</td>
<td>2.90</td>
<td>0.960</td>
<td>0.329</td>
<td>0.132</td>
<td>0.859</td>
</tr>
</tbody>
</table>

EL> Ethical Leadership; OP> Organizational Performance

Table 1 highlighted above shows descriptive statistics of variables. The Ethical Leadership measurement scale adopted by Brown et al. (2005, p. 120) generally covered the five-point scale of 1 (strongly disagree) to 5 (Strongly agree). Whereas organizational performance also ranges from a five-point scale of 1 (strongly disagree) to 5 (Strongly agree) (Singh, 2000; Schepker, & Dimitriou, 2002). The findings showed that HEIs' teaching faculty reported more of a preference for firm performance than for how others observed their ethical leadership (M=2.90, S.D. = 0.960 vs. M=3.45, S.D. = 0.837) respectively. The aforementioned measurement tool is reliable since ethical leadership has an alpha value of 0.813 and organizational performance has an alpha value of 0.859.

Table

Herman Single Factor Analysis Common Method Bias, (CMB)

<table>
<thead>
<tr>
<th>Items</th>
<th>Loadings</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethical Leadership</td>
<td>0.396</td>
</tr>
<tr>
<td>Listens to what employees have to say</td>
<td>0.418</td>
</tr>
<tr>
<td>Discipline employees who violate ethical standards</td>
<td>0.624</td>
</tr>
<tr>
<td>Conducts his/her personal life in an ethical manner.</td>
<td>0.686</td>
</tr>
<tr>
<td>Has the best interests of employees in mind.</td>
<td>0.519</td>
</tr>
<tr>
<td>Makes fair and balanced decisions.</td>
<td>0.571</td>
</tr>
<tr>
<td>Can be trusted</td>
<td>0.513</td>
</tr>
<tr>
<td>Discusses firm ethics or values with employees.</td>
<td></td>
</tr>
</tbody>
</table>
Sets an example in terms of how to do things the right way in terms of ethics. 0.671
Defines success not just by results but also by the way that they are obtained. 0.403
When making decisions, ask, “What is the right thing to do?” 0.418

### Organizational Performance

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall, developing students' trust and confidence in your service</td>
<td>0.417</td>
</tr>
<tr>
<td>Overall, consistently providing prompt service to all of your students.</td>
<td>0.603</td>
</tr>
<tr>
<td>Overall, performing your job dependably and accurately</td>
<td>0.572</td>
</tr>
<tr>
<td>Overall, providing individualized attention to each student’s concerns.</td>
<td>0.514</td>
</tr>
</tbody>
</table>

KMO=0.758; BTS=3772.986, p<0.05

Total variance explained= 29.586%

Herman single factor analysis was run to investigate the common method biases (CMB). It was recommended by Podsakoff *et al.*, (2003) that all the items should be loaded in one single factor, and if the total variance explained is less than 50% it means there is no issue of CMB, the above Table 2, showing that total variance explained is 29.586% thus authors assumed that there is no issue of CMB. Field (2013) suggested KMO>0.5 and factor loadings must be ≥0.4, BTS must be significant. It is evident that all items of ethical leadership except item 1, and all items of organizational performance are higher than 0.4, KMO=0.758, and BTS is significant at p<0.05 level.

**Table 3**

*Correlation Analysis*

<table>
<thead>
<tr>
<th></th>
<th>EL</th>
<th>OP</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Ethical Leadership</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>1</td>
<td>0.432**</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>n</td>
<td>210</td>
<td>210</td>
</tr>
<tr>
<td><strong>Organizational Performance</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Pearson Correlation</td>
<td>0.432**</td>
<td>1</td>
</tr>
<tr>
<td>Sig. (2-tailed)</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>n</td>
<td>210</td>
<td>210</td>
</tr>
</tbody>
</table>

**. Correlation is significant at the 0.01 level (2-tailed).
*OP > Organizational Performance, EL > Ethical Leadership

**Table 4**

*Regression Analysis*

<table>
<thead>
<tr>
<th>Model</th>
<th>R</th>
<th>R²</th>
<th>Adjusted R²</th>
<th>S.E</th>
<th>F</th>
<th>P</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>0.432</td>
<td>0.186</td>
<td>0.184</td>
<td>0.882</td>
<td>81.210</td>
<td>0.000</td>
</tr>
<tr>
<td>Summary</td>
<td>B</td>
<td>S.E</td>
<td>B</td>
<td>T</td>
<td>P</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>1.095</td>
<td>0.201</td>
<td>5.453</td>
<td>0.000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>EL</td>
<td>0.510</td>
<td>0.057</td>
<td>0.432</td>
<td>9.020</td>
<td>0.000</td>
<td></td>
</tr>
</tbody>
</table>

**a. Predictors: (Constant), EL, Dependent Variable: OP**

Table 3 presents a correlation between Ethical Leadership and Organizational Performance. Results yielded a significant positive relationship between ethical leadership and organizational performance (r = 0.432, p<0.05). Hence, from the findings, H1 is accepted. The result reveals that there is a substantial association between ethical leadership and organizational performance (r = 0.432) and that there is an estimated 18.6% variance in organizational performance due to ethical leadership (R² = 0.186). The goodness of fit F= 81.210 and adjusted R² = 0.184 are also statistically significant at the p<0.05 level.

Further analysis of results revealed that Unstandardized regression coefficient i.e. B=1.095, 0.510 with S.E= 0.201 & 0.057 respectively but standardized coefficient shows β = 0.432, t=5.453, and 9.020 with p<0.05. Predicts that a unit variation in ethical leadership characteristics can pose a 43.2% change in organizational performance, and this change is also significantly positive because P = .000 < .05. Hence, H2 is also substantiated.
Discussion

The major purpose of this research was to examine the connection between ethical leadership and institutional effectiveness in the realm of higher education. This study's results provide credence to the idea that ethical leadership is linked to better organizational decision-making. These results are consistent with the literature and theories that have shown the importance of ethical leadership in shaping organizational performance. Moreover, among the many facets of ethical leadership are the encouragement of ethical decision-making and the imposition of personal responsibility for one's conduct. Ethical leadership is especially important in academia, where the sharing of information and the molding of the next generation are of crucial importance. The findings suggest that institutions of higher learning led by individuals who uphold the highest standards of ethical leadership fare better overall. There are several reasons why these two things go together so well. First, ethical leaders promote a climate of candor, openness, and trust among employees. A setting like this fosters teamwork, creativity, and a common goal, all of which increase productivity inside an organization. Second, leaders who act ethically set an example for the rest of the staff and faculty to follow. Leaders motivate their followers to adopt the organization's values and ethos when they demonstrate these traits themselves. As a result, overall productivity increases inside the organization in question (Paharia & Singh, 2018; Nazaruddin et al., 2020). Findings reveal that ethical leaders also stress the importance of making ethical decisions and promoting ethical behavior within the organization. Ethical issues are integrated into the institution's day-to-day operations and decision-making through the establishment of explicit norms and regulations. This emphasis on ethics promotes a culture in which people feel pressured to act in the institutions and their stakeholders' best interests and discourages unethical conduct.

Conclusion

This research concludes that there is an established link between ethical leadership and organizational effectiveness in HEIs. We have found persuasive evidence that ethical leadership has a favorable influence on improving performance results and ethical behavior by analyzing the perspectives of both teaching staff. Our research demonstrates that ethical leaders play a significant part in creating a reputable atmosphere in academic institutions. Leaders who provide ethical direction and set a good example for their teams are crucial in fostering an atmosphere that boosts productivity and encourages employees to uphold high moral principles. Wide-ranging in its applicability, this research has significant consequences for policymakers and administrators in higher education institutions. When HEIs prioritize and adopt ethical leadership practices, they may reach their full potential and have a positive influence on society. The importance of ethical leadership cannot be stressed in a world full of ethical dilemmas. Higher education institutions (HEIs) have a special obligation to develop morally exemplary future leaders because of their position as custodians of the world's information. Higher education institutions (HEIs) may help shape a better future where ethical leadership and corporate success go hand in hand by accepting the conclusions of this study. Let us take the first steps toward a future in which HEIs are guided by ethical leadership that serves to elevate the lives of their students, strengthen their local communities, and leave a lasting mark of greatness for future generations. Working together, we can create a future where ethical leadership flourishes and higher education institutions are held up as models of honesty and achievement. The ramifications of this study for higher education administration are substantial. They stress the need for ethical leadership in the academic setting to improve both organizational performance and student conduct. Leaders may improve organizational performance by encouraging ethical conduct in the workplace, which is a win-win for everyone involved.

Implications for the Future Research and Limitations

The findings shed important light on how faculty members view ethical leadership and its bearing on organizational success. The study's findings add to the existing body of information on ethical leadership in HEIs and have implications for leaders and administrators in developing a culture of ethical leadership to improve organizational performance. Furthermore, the study was conducted with a small sample from HEIs hence the findings could not be generalized to the other sectors for example banking and health, etc. Future studies will be required to go a step forward and conduct similar studies with a larger sample size in other sectors too.
Deceleration of Interest

The authors declare that there was no clash of interest.

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