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The Influence of Ethical Leadership on Employee Performance with Organizational Citizenship Behavior as Intervening Variable

Abstract. Subordinate employees take an example from their manager, so his behavior forms a certain standard in the company. The company's sustainable development depends on the ethics of the leader's behavior and the extent to which employees will follow his example. In addition, each employee contributes to the company's development, and his organizational citizenship behavior is an essential indicator of the overall effectiveness of personnel management. This study aims to determine the effect of ethical leadership on employee performance through organization citizenship behavior. The population in this study is all employees at PT Hasantamma Cemerlang Group, as many as 74 people from 7 branches of the company. The data collection technique used in this study was a questionnaire filled out by all census respondents on ethical leadership, organizational citizenship behavior, employee performance, and other complementary data. This study used the structure equation modeling (SEM) analysis technique using statistical software Partial Least Square (PLS), namely SmartPLS version 4.0.8.5 application. The results of this study show that ethical leadership has a significant positive effect on the employee performance and organizational citizenship behavior. Organizational citizenship behavior has a positive and significant effect on the employee performance. In addition, ethical leadership has a significant positive effect on employee performance through organizational citizenship behavior.

Keywords: ethical leadership, organizational citizenship behavior, employee performance, personnel management, following ethical norms.

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Вплив етичного лідерства на продуктивність співробітників з організаційною громадянською поведінкою як проміжною змінною

Анотація. Зазвичай підлеглі беруть приклад з свого керівника, тому його поведінка формує певний стандарт в компанії. Сталлий розвиток компанії залежить від етики поведінки керівника і того, наскільки співробітники будуть наслідувати його приклад. Крім того, кожен співробітник робить свій внесок у розвиток компанії, а його організаційна громадянська поведінка є важливим показником загальної ефективності управління персоналом. Це дослідження має на меті визначити вплив етичного лідерства на продуктивність працівників через організаційну громадянську поведінку. Об'єктом дослідження є всі співробітники компанії PT Hasantamma Cemerlang Group, а саме 74 особи із 7 філій. Дані для аналізу зібрані шляхом розповсюдження анкети, яка містила питання щодо етики лідерства, організаційної громадянської поведінки, продуктивності співробітників та інших додаткових даних. У цьому дослідженні використовувався метод аналізу моделювання структурних рівнянь (SEM) в програмі SmartPLS версії 4.0.8.5. Результати цього дослідження показують, що етичне лідерство має значний позитивний вплив на продуктивність співробітників і організаційну громадянську поведінку. Організаційна громадянська поведінка позитивно та суттєво впливає на результативність співробітників. Крім того, етичне лідерство має значний позитивний вплив на продуктивність працівників через організаційну громадянську поведінку. Це дослідження підтверджує тезу, що етичне лідерство допомагає створити позитивну культуру роботи, покращити імідж і репутацію бренду, сприяти лояльності співробітників і клієнтів та підвищити продуктивність.

Ключові слова: етичне лідерство, організаційна громадянська поведінка, продуктивність співробітників, управління персоналом, дотримання етичних норм.

INTRODUCTION

Management for the company plays an active role in managing, mobilizing, and developing the workforce to achieve company goals. Employee management that is carried out systematically and directed will support the company's operations to be completed correctly, which is visible and measurable in the output produced by the company. Nurcahyani & Adnyani (2016) state that a company's success in achieving goals is greatly influenced by the performance of human resources contained in the company. To survive and successfully compete in a rapidly growing business environment, corporate organizations implement strategies by requiring employees to be proactive and initiative to engage with their role in work and commit to doing work by applying high standards according to the company (Bakker & Leiter, 2010).

High employee work productivity and effectiveness is a form of employee roles carried out optimally to affect the assessment of performance achievements. Assessing the organization's progress can be measured on a caraway performance appraisal that provides an overview of the results of measuring employees' ability compared to the established results standards. The picture of performance can be tangible in the form of work achievements obtained by individual employees or groups following their primary duties in the company.

A service company's success is determined not only by the behavior of employees according to their job description (in-role behavior) but also by the behavior of employees outside their job description (extra-role behavior). Podsakoff et al. (2000) revealed that organizational citizenship behavior could affect organizational performance.

The results of interviews authors of this study with representatives of the leadership at PT Hasantamma Cemerlang Group (HCG) said that there were two types of branch managers who carried out the company's Standard Operating Procedures (SOP). However, the team's performance under their coordination had different results. Based on these data, it can be assumed that leadership style influences the performance conditions of employees in each branch. This study is dedicated to testing this hypothesis.

LITERATURE REVIEW

Employee Performance

Human resources play the most important role in a company's organization. The company could pay attention to the performance of its employees to create superior corporate human resources that will impact the company's performance. Mangkunegara (2011) defines employee performance as the quality and quantity of work employees do when carrying out their duties based

on their responsibilities. What is meant by performance is a result that can be seen in quality and quantity, which an employee achieves in carrying out his duties following the responsibilities that have been given to him.

According to Armstrong (2018), performance management is an ongoing process to improve performance by setting individual and team goals aligned with the organization's strategic goals, planning performance to achieve goals, reviewing and assessing progress, and developing people's knowledge, skills, and abilities.

Ethical Leadership

In the organizational sphere, ethical behavior is often associated with the ethics of senior leaders such as CEOs and leaders who can create an ethical corporate culture. An ethical leader is a leader who has principles, beliefs, and values that describe the correct behavior of the organization, thereby influencing employees to achieve organizational goals (Al-Sharafi & Rajjani, 2013).

An ethical leadership is defined as "the demonstration of appropriate normative behavior through personal actions and interpersonal relationships, and such promotional behavior is carried out to subordinates through two-way communication, reinforcement, and decision-making" (Brown et al., 2005). Leader behavior is role models and develops by being promoted and made binding rules.

Organizational Citizenship Behavior

Various terms describe prosocial behavior in the workplace, but most researchers refer to that behavior as organizational citizenship behavior (OCB). According to Salih Kusluvan (2003), OCB is a free and spontaneous individual behavior resulting from the individual character of the employee or the character created by the work or organization and can also come from good relations with the leadership.

Griffin & Moorhead (2014) state that organizational citizenship refers to the behavior of individuals who contribute positively to the organization. Thus, a conscious and suitably motivated employee will give his best to the organization outside the assigned tasks.

RESEARCH HYPOTHESIS

Based on the theoretical background, the authors formulated the following research hypothesis:

H1: Ethical leadership has a positive effect on employee performance.

H2: Ethical leadership has a positive effect on organizational citizenship behavior.

H3: Organizational citizenship behavior has a positive effect on employee performance.

H4: Ethical leadership positively affects employee performance through organizational citizenship behavior as an intervening variable.

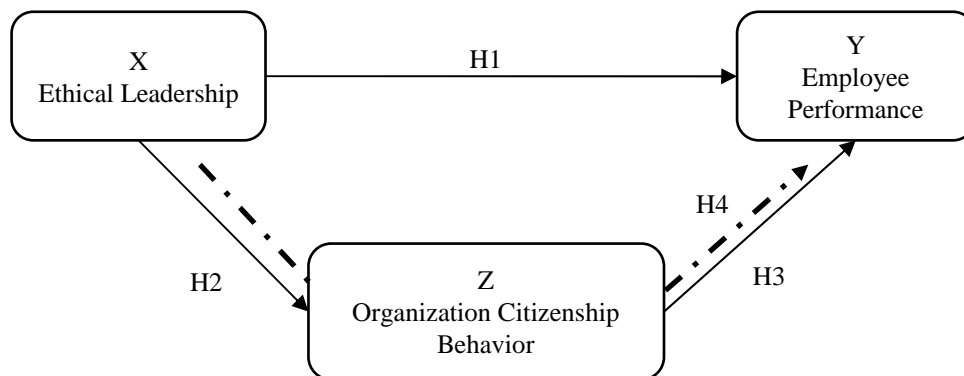


Figure 1. Research Conceptual Framework

RESEARCH METHODS

This study explains the causal relationships between research variables through pre-formulated hypothesis tests. The implementation of the research was carried out through a quantitative approach using the linear regression analysis method. Variables in linear regression analysis consist of endogenous variables and exogenous variables. The endogenous variable of this study is employee performance, while the exogenous variable is ethical leadership, and the intervening variable is Organizational Citizenship Behavior (OCB).

The population in this study is all employees at PT Hasantamma Cemerlang Group, as many as 74 people from 7 branches of the company (Bulevar Harapan Indah branch, Taman Harapan Baru (THB) branch, Pondok Ungu Permai (PUP) branch, Kejayaan Depok branch,

Balikpapan branch, Grand Mahakam Samarinda branch, and Kranji Bekasi Barat branch). This study was conducted using sample withdrawal, namely saturated sampling, where all population members are used as samples. According to Sugiyono (2012), saturated sampling or census is a technique of determining samples when all population members are used as samples.

The data collection technique used in this study was a questionnaire filled out by all census respondents on ethical leadership, OCB, employee performance, and other complementary data.

This research used the structure equation modeling (SEM) analysis technique using statistical software Partial Least Square (PLS), namely SmartPLS version 4.0.8.5 application.

Identification of variables

Independent Variable (X)

Independent variables affect or cause changes in the onset of bound variables (dependents). In this study which is a free variable is an ethical leadership (X)

Ethical leadership promotes transparency, makes ethical decisions, sets rules, and sets an excellent example for all participants at all levels of the organization. The beliefs, values, vision, and actions of the ethical leader are a role model and color in the standards of corporate governance to achieve company goals (Al-Sharafi & Rajiani (2013), Buble (2012), Brown (2005)).

Intervening Variable (Z)

Intervening variables are types of variables that affect the relationship between independent variables and dependent variables. The intervening variable in this study is OCB.

OCB is an individual or employee behavior that is not regulated by the organization and not considered by the formal reward system. However, this behavior will encourage the efficiency of the organization's functioning (Baron and Byrne (2004), Luthans (2010)).

Dependent Variable (Y)

Dependent variables are variables that are affected or that are a result due to the existence of free variables (Sugiyono, 2010). In this study the dependent variable is employee performance.

Performance is the result of the willingness of employees to carry out their responsibilities as expected by the company and perfect them according to responsibilities based on the seriousness of expertise and experience (Bernadin & Russel (1993), Mangkunegara (2013)).

RESULTS AND DISCUSSION

Results of Structural Model Testing (Inner Model)

The structural model in PLS is evaluated using R2 for dependent variables and path coefficient values for independent variables, which are then assessed in significance based on the t-statistical values of each path. The structural model of this research can be seen in Figure 2.

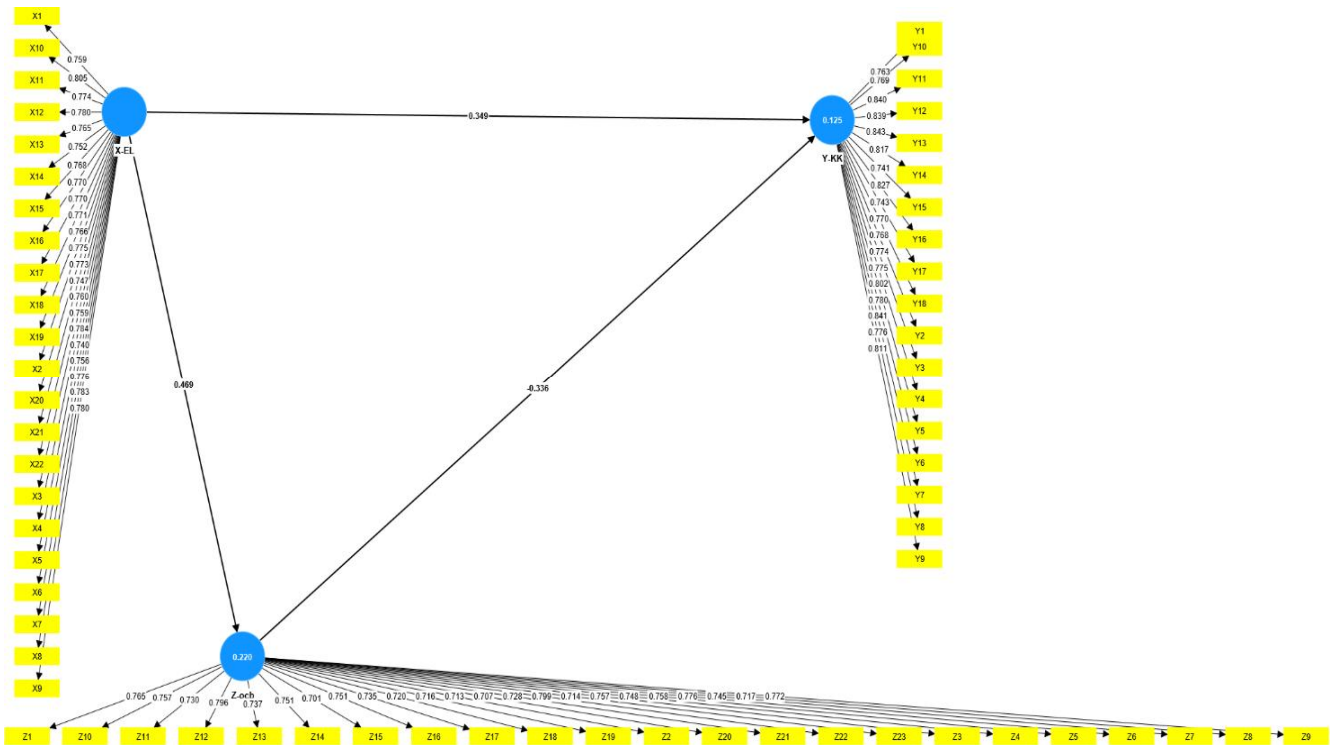


Figure 2. Output Inner Model

Source: Output PLS, 2022.

The evaluation of the significance of the predictive model in structural model testing is based on the t-statistical value between independent and dependent variables in the Path Coefficient table in SmartPLS output.

Table 1. Path Coefficient

0	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	RESULTS	
Ethical Leadership (X) → Employee Performance (Y)	0.349	0.375	0.145	2.402	0.016	Significant	Hipotesis Accepted
Ethical Leadership (X) → Organizational Citizenship behavior (Z)	0.469	0.490	0.096	4.889	0.000	Significant	Hipotesis Accepted
Organizational Citizenship behavior (Z) → Employee Performance (Y)	-0.336	-0.359	0.133	2.529	0.011	Significant	Hipotesis Accepted

Source: Output PLS, 2022.

Table 2. Specific Indirect Effects

	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (O/STDEV)	P Values	RESULTS	
Ethical Leadership (X) → Organizational Citizenship behavior (Z) → Employee Performance (Y)	-0.158	-0.175	0.076	2.070	0.038	Significant	Hipotesis Accepted

Source: Output PLS, 2022.

The analysis results show that the four hypotheses proposed in this study are accepted. The influence of the independent variable on the dependent variable and the independent variable on the dependent variable through the intervening variable is significant because it has values >0.05 and T statistics > 1.96 with positive values.

Discussion

The Influence of Ethical Leadership on Employee Performance

The P-value that forms the influence of ethical leadership on employee performance is 0.016, so it qualifies a significant level of 5%, namely P-value $0.016 < 0.05$ with a positive T-statistic value. Thus, ethical leadership has a positive effect on employee performance in PT. HCG.

This result confirms the Al-Sharafi & Rajiani (2003) opinion that ethical leadership leaders have principles, beliefs, and values that describe the correct organizational behavior, thereby influencing employees to achieve organizational goals.

This type of leadership can create high trust and motivation for employees to carry out their duties. It is conveyed by Kim & Brymer (2011) that ethical leaders are one of the important characteristics that will create high trust and motivation among employees, ultimately increasing the organizational commitment of employees. In addition, ethical leadership is more important in impacting employees in the organization and organizational performance (De

Hoogh & Den Hartog, 2008).

The better a leader describes the correct organizational behavior, the higher performance will be because it will affect employee behavior.

The Influence of Ethical Leadership on Organizational Citizenship Behavior

The P-value that forms the influence of ethical leadership on OCB is 0.000, so it qualifies a significant level of 5%, namely P-value $0.00 < 0.05$ with a positive T-Statistics value. Thus, ethical leadership positively affects OCB.

Previous studies confirm this result. In particular, Dinc & Aydemir (2014) explained that ethical leadership could improve the Organizational Citizen Behavior (OCB) of employees set by leaders. Salih Kusluvan (2003) suggests that OCB, which is a free and spontaneous individual behavior resulting from the individual character of the employee or the character created by the work or organization, can also come from good relations with the leadership.

The more substantial influence of ethical leadership behavior in the company will produce assertive organizational citizenship behavior because conduciveness in the work environment will cause harmony of goals to build organizational cohesion, loyalty, and commitment. So, ethical leadership has a positive effect on organizational citizenship behavior.

The Influence of Organizational Citizenship Behavior on Employee Performance

The P-value that forms the influence of OCB on employee performance is 0.011, so it qualifies for a significant level of 5%, namely P-value $0.011 < 0.05$ with a positive T-statistic value. Thus, Organizational Citizenship Behavior has a positive effect on employee performance.

Some previous studies support this result. In particular, Podsakoff et al. (2000) revealed that OCB is a profound individual contribution that exceeds the demands of roles in the workplace and impacts performance appraisal. The implication for management is to leverage the effectiveness of employees committed to the organization.

The more significantly implemented organizational citizenship behavior in the company will produce strong performance because it will give rise to a loyal attitude of employees to express better their interest in the success and goodness of their organization. So, organizational citizenship behavior has a positive effect on employee performance.

The Influence of Ethical Leadership on Employee Performance with Organizational Citizenship Behavior as an Intervening Variable

The P-value that forms the influence of ethical leadership on employee performance through OCB is 0.038, so it qualifies a significant level of 5%, namely P-value $0.038 < 0.05$ with positive T-Statistic values. Thus, ethical leadership positively affects employee performance through Organizational Citizenship Behavior.

Contrary to this result, Khokhar & Rehman (2017) claim that employees' organizational citizenship behavior

did not mediate the relationship between ethical leadership and employees' job performance. However, ethical leadership and employees' job performance were mediated by the counterproductive work behavior of employees in public sector institutions.

CONCLUSIONS

The results of this study are as follows:

- Ethical leadership has a positive and significant effect on the employee performance of PT. Hasantamma Cermerlang Group. This confirms that ethical leadership helps create a positive work culture, improve brand image and reputation, foster employee and customer loyalty, and increase productivity.

- Ethical leadership has a significant positive effect on organizational citizenship behavior. Hence, ethical leadership in a company encourages employees to do their best for their colleagues and the company.

- Organizational citizenship behavior has a positive and significant effect on the employee performance of PT. Hasantamma Cermerlang Group. Organizational citizenship behavior is all the positive and constructive employee actions and behaviors not part of their formal job description. Anything that employees do out on their own will benefit the organization.

- Ethical leadership has a significant positive effect on employee performance through organizational citizenship behavior. Ethical leaders display good values through their words and actions. They do not overlook wrongdoing, even when doing so may benefit their businesses. Therefore, their impact on the company's employees is noticeable not only through productivity indicators but also through the organizational citizenship behavior of each employee.

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