# Uncovering the Relationship between Ethical Leadership, Employee Retention, and Organizational Engagement: A Longitudinal Study

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## Abstract

*The success of an organization is contingent upon the leader, who occupies the central position. Scholars and practitioners emphasize the necessity of leaders' ethical and moral behavior. The present research endeavored to investigate the characteristic of ethical leadership in promoting organizational identification and mediating the role of turnover intention, drawing on entity morality theory and social identity theory. The data was collected through a questionnaire using a random sampling technique in a cross-sectional research design with a deductive approach. Regression analysis was employed to analyze data from 380 employees of Pakistan's cement industry. The results indicate that ethical leadership is positively correlated with organizational identification and negatively correlated with turnover intention. The cross-sectional design and limited sample size are the primary constraints of this study. Data from larger samples and data on actual turnover, rather than intention, may be collected in future studies. This investigation suggests that leaders of cement industries operating in the rural outskirts of Pakistan may implement ethical leadership strategies to cultivate organizational identification and decrease turnover intention. This research is a substantial contribution to the field, as it has gathered data from companies operating in the rural outskirts of Pakistan, which are situated outside of conventional industrial zones.*

***Keywords:*** *Ethical leadership, Turnover intention, organizational identification, Pakistan, Cement industry*

## Introduction

In any organization, ethical leadership is the most critical factor. A leader or manager is accountable for the decisions of a particular department within an organization. (Shah, 2019). Sarroset al. (2006) conducted research that, managers of an organization mitigate the risks of ethical failures by fostering moral values and providing ethical leadership. According to Mathisen et al. (2011), leaders or managers have an impact on their employees or followers through their behavior and demeanor. This is since leaders are typically composed of ordinary individuals, and people use them as role models because they inspire them. According to Trevino et al. (2000), the ethical behavior of adherents is influenced by the ethical behavior of leaders and communication. The superintendent and subordinates of an organization interact to produce and develop organizational identification. It is imperative that supervisors and leaders communicate to their employees the importance of their organization and the necessity of working with passion and dedication (Lambert & Barton, 2001; Monahan, 2012). Leaders do not merely provide examples; they also demonstrate them through their actions. Consequently, this will undoubtedly result in organizational identification among employees, who will perceive themselves as a component of the organization and be able to collaborate within the environment to achieve the organization's objectives. Lee et al. (2015) elucidated that the organization's employees experience a sense of obligation and engage in pro-organizational behavior and attitude because of their organizational identification.

In any organization, turnover intention is generated when employees are dissatisfied with their supervisors, work environments, and salary contracts (Abrams & Hogg, 1988). The present research endeavor explores the influence of ethical leadership on turnover intention in the cement industries of Pakistan, as organizations incur substantial expenditures for employee empowerment. Therefore, there are numerous factors that contribute to turnover intention. According to a study conducted by the Central Bureau of Statistics (2007), LOGG, one in four employees intends to

alter their occupation within the next three years. According to Abbasi and Hollman (2000), the turnover intention is the most extensively researched concept in organizational behavior. Memon et al. (2019) stated that turnover intention and related concepts had been analyzed, integrated, and summarized in the turnover process for the past several years.

This investigation is implemented after an examination of the preceding literature. In Turkey, Elçi (2012) conducted a study and discovered that attrition intention is adversely affected by ethical leadership. They evaluated job-related stress as a mediator. The research also indicates that ethical leadership promotes organizational identification, which allows employees to express their grievances and advocate for the organization's improvement (Malik, 2013). Turnover and organizational voice are two responses to job disenchantment (Lee et al., 2015). This study suggests that ethical leadership may mitigate employee attrition intention by mediating the role of organizational identification. This study may be the first to investigate the role of ethical leadership in reducing attrition in the Pakistani cement industries through the mediation of organizational identification, even though such a link may be available in a Western context. In the cement industries of Pakistan, this study will assess the influence of ethical leadership on attrition intention, with organizational identification serving as a mediating factor.

The objective of this study is to assess the relationship between attrition intentions and ethical leadership, as well as the mediating effect of organizational identification on the employees of cement industries in Pakistan.

The present research endeavor is being conducted to address the following subjects, as indicated by the research gap.

- Investigation 1: How does ethical leadership affect employees' intentions to depart their organization?
- Inquiry 2: Does organizational identification serve as a mediator in the relationship between attrition intention and ethical leadership?

This investigation is partitioned into five sections. In the introduction, Section 1, the exhaustive research study is briefly introduced, and the background and purpose of the study are explained. Section 2 is a literature review that was conducted after the preceding literature was reviewed. This chapter provides definitions of the variables used in this study. An explanation of the methods, techniques, tools, and instruments employed to capture data and establish the research design is

provided in Section 3. Section 4 is the result and discussion, which presents the results and findings of the study through both charts and tables. The conclusion and future recommendations for this study are presented in Section 5, which also includes limitations and recommendations for future research.

## Literature Review

Lee et al. (2015) state that the term "ethical leadership" pertains to leadership that is based on ethical principles, and there is currently a significant amount of research being conducted on the topic. According to Said and Shah (2017), ethical leadership is a sub-branch of ethical behavior, which has numerous branches. As a distinct leadership and behavior, ethical leadership was defined by Brown and Trevino et al. (2000). Ethical leadership is defined by Watrous and Pritchard (2006) as leadership that is performed with consideration for the rights, respect, ethical values, and beliefs of others. Ethical leadership is defined by Luchak and Gelatly (2007) as the morals and values that are desirable and that any society and individual prefer. Jordan (2013) elaborates that ethical leadership activities, including honesty, fairness, and caring, are indicative of ethical leadership. According to Trevino et al. (2000), ethical leadership is a blend of two leadership attributes: the first is the ability to make decisions, while the second is the ability to act in accordance with one's moral values, norms, standards, and obligations, and subsequently influence one's following.

However, they also stated that ethical leadership is founded on three pillars. The first pillar is that a leader is a moral individual, which is indicative of their disposition. The second pillar is that since that pillar, leaders can foster integrity in their followers. The final pillar is the communication and relationship between the leader and their followers. According to Abrams and Hogg (1988), organizations are currently experiencing a significant issue with inadequate ethical leadership and unethical conduct. According to Khan et al. (2011), turnover intentions are determined by search decisions and specific proposals from other organizations when selecting a new job. They stated in sync surveys (2012) that attrition intention is determined by individual behavior. Watrous and Pritchard (2006) identified four categories of turnover intention: voluntary, non-voluntary, fictional, and dysfunctional. Lambert and Barton (2001) defined voluntary turnover intention as

the process by which an employee determines whether to remain with the organization, while involuntary turnover is the process by which an organization determines whether an employee will depart the organization. According to Monahan (2012), the leader is accountable for identifying, analyzing, and rectifying issues. According to Mathisen et al. (2011), numerous organizations encounter difficulties in maintaining a competitive workforce. Shaikh and Khoso (2021) propose that employee satisfaction leads to improved performance and decreased attrition. According to Haslam and Reynolds (2003), the attrition of employees is the most expensive issue for a company. According to Barrick and Zimmerman (2005), the attrition observed in the highest-performing and lowest-performing employees is voluntary. Shaikh et al. (2023) elucidated that multinational organizations incur an annual expense of 11 billion due to direct and indirect turnover intention.

There are four components to organizational identification. One aspect of organizational identification asserts that it is a cognitive construct that is not associated with any behavior described by (Mael&Ashforth, 1992; Mael&Tetrick, 1992). The second aspect of organizational identification, which is a comparative aspect, defines how an individual relates to another individual. The third aspect of organizational identification is delineated by Mael and Ashforth (1992). According to Brown et al. (2005), the impact of organizational identification is described by the organization and its members. Mael and Tetrick (1992) define organizational identification as a sentiment of solidarity and support for the organization. According to Haslam and Reynolds (2003), organizational identification is a connection between the organization and its employees. The independent variable in this study is ethical leadership, the dependent variable is attrition intention, and organizational identification plays a mediating role.

**Research Hypotheses**

From the above literature review following hypotheses can be considered for this study.

- Ethical leadership negatively impacts turnover intentions.
- Ethical leadership positively impacts organisational identity.
- Organizational identification negatively influences turnover intention.

## Research Methodology

This section provides a comprehensive overview of the data collection and analysis methods, population, methodology, and sampling techniques employed in this thesis. According to Haslam and Reynolds (2003), the research design is the primary approach to verifying the theory.

According to Memon and Khan (2019), the critical rationale of research design is to enhance the validity of the research study by organizing and setting it up in a specific manner. The methodology of the current investigation is as described in the works of Khan et al. (2011), and it includes the study type, study location, time horizon/study design, and unit of analysis. The objective of the current research is to evaluate the impact of ethical leadership on attrition intention through a quantitative and correlational approach. The study also investigates the mediating role of organizational identification in this relationship. The participants' responses to the variables mentioned above were the source of the data for this study. The instruments employed for data collection are questionnaires, which are composed of closed-ended inquiries. The data for this research is gathered from cement industries in Pakistan, where employees are required to complete questionnaires during their workday. It is a cross-sectional investigation in which data is collected at a single point.

A cross-sectional study is implemented due to the accessibility of data collection, which is completed within a month for this investigation. According to Raza et al. (2021), the population of a research study is a collection of individuals or objects that share similar characteristics. The aggregate staff, employees, and laborers employed in Pakistan's cement industries comprise the population of this research study. The primary objective of sampling is to select a sample from a population that is representative of the entire population. It is crucial to remember that the outcome will accurately reflect the entire population when sampling techniques are implemented. Random probability methodologies are implemented in this investigation. The characteristics of the sample that was considered for this investigation are detailed below. It was reported that the data was analyzed in terms of frequency. The scale and item of the item that were employed to evaluate ethical leadership were as follows: "The individual responsible for the supervision of a particular department." The department manager is renowned for making impartial and equitable decisions by carefully considering the input of department employees. The Likert scale, which encompassed value values from 1 (representing strong disagreement) to 5 (representing strong agreement), was implemented for measurement. The turnover intention was assessed using the item scale. The item assesses the frequency with which an individual is inclined to pursue alternative employment that is more in line with their personal needs, as well as the frequency with which they are considering abandoning their current position. The Likert scale was implemented as the measurement instrument, with a scale of 1 (indicating strong disagreement) to 5 (indicating strong agreement).

The item scale was employed to evaluate organizational identification. The first-person plural pronoun "we" is employed by the individual to convey a sense of personal attachment to the organization. Furthermore, the individual feels a sense of personal validation as others venerate their organization. The Likert scale was employed to quantify the data, with a range of 1 (indicating strong disagreement) to 5 (evidence of strong agreement).

## Data Analysis

The data for this study is collected through questionnaires, which are used to collect data in SPSS. The statistical software SPSS was utilized to assdata'sess the reliability, descriptive statistics, and core data. Correlation analysis assesses the association between the dependent and independent variables. It enables the examination of the interdependence between the independent and dependent variables. The primary objective of this study is to investigate the influence of ethical leadership on turnover intention, focusing on the mediating effect of organizational identification. This section presents the study's findings based on empirical evidence and demonstrates the relationships between study variables using correlation and descriptive statistics data analysis. This section contains the frequency distribution of the study variables in terms of numbers and percentages. This section includes the frequency distribution of independent variable ethical leadership, independent variable turnover intention, and mediator organizational identification in numbers and percentages.

Table 1

Correlations Estimations

| | **EL** | **OI** | **TI** |
|---|---|---|---|
| **EL** | 1 | .637** | -.412** |
| **OI** | .622** | 1 | -.448** |
| **TI** | -.412** | -.448** | 1 |

Normally correlation analysis is materialized to evaluate the relationship between two variables that are moving in opposite or the same direction. So in this study, correlation analysis is used to know the relationship between variables and to check the hypothesis. The correlation analysis values range from -1 to +1. The statistical analysis of the correlation coefficient is conducted using Pearson correlation in conjunction with the software program SPSS. A correlation coefficient of 0 indicates the absence of a relationship between the two variables. A positive correlation is

indicated by a value of +1, which suggests that the two variables are positively related and move in the same direction. A negative correlation is indicated by a value of -1, which signifies that the variables are moving in opposite directions and that there is a negative relationship between them. Table 2 displays the correlation among the variables under investigation in this study. This study comprises three variables: ethical leadership, turnover intention, and organizational identification. Ethical leadership is the independent variable, while the turnover intention is the dependent variable.

On the other hand, organizational identification serves as the mediator between ethical leadership and turnover intention. This study's findings indicate an inverse relationship between ethical leadership and turnover intentions, as evidenced by the opposing trajectories of these two variables. The present study reveals a positive correlation between ethical leadership and organizational identification, indicating that these two constructs are positively associated 0.622. Additionally, the study found a negative correlation between turnover intention and organizational identification. Ethical leadership has a weak negative correlation with turnover intention -0.412. While organizational identification has also a negative moderate relationship with turnover intention -0.448.

Table 2

Regression Analysis (Direct effects)

| Coefficients Estimations | | | | |
|---|---|---|---|---|
| Model | Coefficients | Standard Error. | t | Sig. |
| C | .253 | .879 | .287 | 0.000 |
| EL | -0.82 | 0.259 | -.319 | 0.000 |
| OI | -.158 | .321 | -.491 | 0.000 |
| R-Square | 0.877 | Adjusted R-Square | 0.855 | |

Dependent variable= Turnover intention

Table 3

Regression Analysis (Mediating effects)

| **Coefficients Estimations** | | | | |
|---|---|---|---|---|
| Model | **Coefficients** | **Standard Error.** | **t** | **Sig.** |
| C | .4232 | .922 | .388 | 0.000 |
| EL | 0.526 | 0.295 | .5180 | 0.000 |

| | | | |
|---|---|---|---|
| **R-Square** | 0.672 | **Adjusted R-Square** | 0.652 |

Mediating variable= Organizational Identification

Hypotheses for this study are tested through regression analysis. There are three hypotheses for this study. Table 2 shows the estimation results of regression coefficients. Beta depicts the volatility between the ethical leadership and organizational identification The beta 1 value (β1= -0.82, p= 0.00) shows that if a 1% increase in the ethical leadership, then Turnover intention will decrease by 82%. Similarly, the beta 2 value (β2= -0.158, p= 0.00) shows that if 1% in the organizational identification, then turnover intention will be decrease by 15%. According to the coefficient of determination of 0.877, changes in the ethical leadership and organizational identificationaccount for 87.7% of the variation in turnover intention. The model's R square, which measures how well the model represents the actual data, is 0.877. Since the P-values are below than 0.000 and it is below than 5%. It supports $H_1$ that ethical leadership negatively influences turnover intention (p>0.005). The findings also support $H_3$that organizational identification negatively influences turnover intention (p>0.05). Table 5 presents the mediation analysis of ethical leadership on organizational identification. The beta 1 value (β1= 0.526, p= 0.00) shows that if a 1% increase in the ethical leadership, then organizational identification will increase by 52%. According to the coefficient of determination of 0.672, changes in the ethical leadership account for 67.2% of the variation in organizational identification. The model's R square, which measures how well the model represents the actual data, is 0.672. Since the P-values are below than 0.000 and it is below than 5%. It supports $H_2$that ethical leadership positively influences organizational identification (p>0.005).

## Discussion and Conclusion

### Discussion

The primary objectives of the current research project are to investigate the influence of ethical leadership on employees' intentions to leave their organisation, with organisational identification serving as a mediator. Empirical evidence has demonstrated that attrition intention has a detrimental effect on organizational identification and ethical leadership. Additionally, there is a positive correlation between ethical leadership and organisational identification. On the other hand, organisational identification negatively impacts turnover intention (Malik, 2013). The

present study confirms a negative correlation between attrition intention and ethical leadership. Employees will demonstrate a positive attitude towards their job and organization, comprehend their moral values and norms, and receive motivation and appropriate guidance from their leader when they receive ethical leadership during their working hours (Barrick & Zimmerman, 2005; Van Knippenberg, 2000). Ethical leadership motivates employees and engages them in their work. They are less inclined to consider leaving or altering their position. Research confirms that the behavior of their supervisor, along with the discrimination and favouritism they display, demotivates employees who are contemplating leaving their position. The current study has verified that ethical leadership has a positive impact on organisational identification (Memon et al., 2019). The positive behaviour of the department leader motivates employees, inspiring them to take an interest in the organisation and work diligently to achieve its objectives. The current study confirmed that the relationship between organisational identification and turnover intention is negative. When directed at their organization, employees perceive criticisms as in their interest, and when directed at their own success, they perceive praise as a compliment (Jordan et al., 2013). Dedicated employees never consider leaving or changing their position. According to Lee et al. (2015) and Memon & Khan (2019), there is a negative correlation between organisational identification and attrition intention, as employees who have a stake in the organization's success and matters tend to stay in their positions.

## Conclusion

This research was conducted for several different reasons. The primary purpose of this study is to investigate the influence of ethical leadership on the likelihood of an employee leaving their position. The second objective was to understand the relationship between ethical leadership and the identification of a company. The third goal was to investigate the influence that organizational identification has on the intention of employees to leave an organization (Memon et al., 2019; Jordan et al., 2013). The fourth goal was to study the potential role that organizational identification plays in moderating the relationship between ethical leadership and turnover intention. Correlation and descriptive statistics were utilized to examine the data after the data-gathering stage. A positive correlation between ethical leadership and organizational identity was found to exist, as shown by the data. Empirical studies have also demonstrated that ethical leadership has a negative impact on turnover intention and that there is a negative association between organizational identification and turnover intention. Both findings support the proposition

that ethical leadership should be prioritized. The results of this study will assist residents of Pakistan in their future research endeavors and provide them with brief information about the impact of ethical leadership on the intention of employees to leave their jobs.

**Recommendations**

This research provides prospective recommendations. The influence of ethical leadership on turnover intention may be further investigated in forthcoming research. Initially, the sample size must be increased in future research. Secondly, research should encompass manufacturing industries to examine the influence of ethical leadership on turnover intention. Thirdly, future research should consider the longitudinal time frame to assess employees' perceptions over a distinct time frame. Fourth, future research should employ a variety of methods and techniques to analyze the data.

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