

From Ethics To Excellence: Exploring The Influence Of Ethical Leadership On Employee Performance Through Engagement And Trust

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Abstract

Ethical leadership has gained increasing scholarly attention as organizations seek sustainable ways to enhance employee performance in ethically sensitive and dynamic business environments. This study investigates the effect of ethical leadership on employee performance by examining the mediating roles of employee engagement and organizational trust. Ethical leadership is conceptualized as leadership behavior grounded in moral principles, accountability, fairness, and transparency, which influences employees' attitudes and behavioral outcomes.

Building on social exchange theory, the study argues that ethical leaders foster reciprocal relationships by nurturing trust and encouraging deeper employee engagement. These psychological and relational mechanisms subsequently contribute to higher levels of task efficiency, commitment, and discretionary effort among employees. A quantitative research design is employed, using survey data collected from employees across diverse organizational contexts. Data analysis is conducted using advanced statistical techniques, including structural equation modeling, to assess both direct and indirect relationships among the study variables. The findings are expected to demonstrate that employee engagement and organizational trust significantly mediate the relationship between ethical leadership and employee performance.

The study offers meaningful theoretical contributions to leadership and organizational behavior literature and provides practical implications for managers aiming to cultivate ethical climates that support high performance and long-term organizational excellence.

Keywords: Ethical Leadership; Employee Performance; Employee Engagement; Organizational Trust; Leadership Effectiveness; Organizational Sustainability

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1 INTRODUCTION

Ethical leadership is essential in logistics service companies due to the complex, fast-paced, and highly interconnected nature of their operations. These organizations rely heavily on coordination, reliability, and trust across multiple stakeholders, including employees, clients, suppliers, and regulatory bodies. Ethical leaders foster a culture of integrity, accountability, and fairness, which helps in building trust and promoting responsible behavior throughout the organization (Brown, Treviño, & Harrison, 2005). In logistics, where operational decisions often have implications for environmental sustainability, labor conditions, and customer satisfaction, ethical leadership ensures that business practices align with legal standards and societal expectations (Mayer, Aquino, Greenbaum, & Kuenzi, 2012). Furthermore, ethical leadership enhances employee engagement and organizational commitment, which are critical for

maintaining efficiency and reducing turnover in the logistics sector (Toor & Ofori, 2009). By modeling ethical conduct, leaders can also reduce unethical practices such as fraud, safety violations, or corruption in supply chain operations (Kalshoven, Den Hartog, & De Hoogh, 2011). Ultimately, ethical leadership contributes to long-term organizational success, reputational strength, and stakeholder trust.

Positive ethical leadership plays a crucial role in enhancing employee engagement, trust, and performance, especially in logistics companies where operational efficiency, coordination, and integrity are essential. Ethical leaders demonstrate fairness, transparency, and concern for employee well-being, which fosters a psychologically safe environment where employees feel respected and valued (Brown, Treviño, & Harrison, 2005). This ethical climate enhances **employee engagement** by increasing

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employees' emotional commitment and willingness to go beyond their formal roles (Macey & Schneider, 2008). Furthermore, when leaders act with integrity and communicate honestly, they build **employee trust**—a foundational element in logistics settings where reliability and interdependence are critical (Mayer, Davis, & Schoorman, 1995). Employees who trust their leaders are more likely to exhibit cooperative behavior and organizational citizenship, which are essential for seamless logistics operations (Dirks & Ferrin, 2002). In turn, both engagement and trust contribute to higher **employee performance** by motivating employees to put forth discretionary effort, make better decisions, and show resilience under pressure (Walumbwa et al., 2011). Therefore, ethical leadership not only shapes a positive work culture but also drives measurable outcomes in logistics firms.

Logistics companies often operate under intense time and cost pressures to deliver goods efficiently and competitively. This environment may push managers to prioritize short-term profits or delivery targets over ethical considerations, leading to compromises such as overworking employees, neglecting safety standards, or bypassing regulatory norms (Van Hoek, 2001). Ethical leadership becomes harder to enforce when logistics operations span multiple regions, cultures, and legal frameworks. Global supply chains involve third-party vendors and subcontractors, making it difficult for ethical leaders to monitor and enforce consistent ethical practices throughout (Sweeney, Grant, & Mangan, 2015). Many logistics professionals, especially in frontline or operational roles, may not receive formal training on ethical leadership or corporate social responsibility. This lack of awareness can result in unintentional unethical behaviors and difficulty in recognizing ethical dilemmas (Treviño, Weaver, & Reynolds, 2006). In some logistics organizations, hierarchical and transactional leadership styles dominate, which can resist or undermine ethical leadership practices. If top management does not model ethical behavior, mid-level and junior leaders may feel discouraged from prioritizing ethics (Brown & Treviño, 2006). Whistleblowing or reporting unethical behavior can be risky in logistics companies that lack clear, anonymous, and protective mechanisms. Employees may fear job loss or retaliation, discouraging open communication and ethical accountability (Kaptein, 2011). Logistics operations often face real-time decisions involving trade-offs—such as between speed and safety or cost and environmental impact. Without clear ethical guidelines or codes of conduct tailored to logistics, leaders may struggle to make

consistent and principled decisions (Donaldson & Dunfee, 1999).

If the hindrances to ethical leadership continue in the future, logistics companies are likely to face significant organizational and reputational setbacks. Persistent ethical lapses can erode employee trust and engagement, leading to high turnover, decreased morale, and a disengaged workforce—ultimately reducing productivity and service quality. Unaddressed ethical issues may also result in increased incidents of misconduct, regulatory violations, and legal penalties, particularly in areas such as labor rights, environmental compliance, and safety standards. Furthermore, customers and business partners are increasingly valuing ethical practices; continued failure to demonstrate leadership integrity may cause reputational damage and loss of client confidence. Over time, the absence of ethical leadership can weaken organizational culture, disrupt supply chain relationships, and hinder long-term growth and competitiveness in the logistics industry.

2 THEORETICAL BACKGROUND AND HYPOTHESES DEVELOPMENT

Ethical leadership

Ethical leadership refers to the practice of leading with a focus on ethical principles such as integrity, fairness, accountability, and concern for others. It involves both being a moral person and a moral manager who promotes ethical conduct within the organization. According to Brown, Treviño, and Harrison (2005), ethical leadership is defined as "the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement, and decision-making." This definition highlights that ethical leadership is not only about leaders behaving ethically themselves but also about encouraging and shaping ethical behavior in others. Treviño, Hartman, and Brown (2000) further emphasize that ethical leaders are perceived as honest, trustworthy, and principled, and they consistently make decisions that are fair and aligned with the organization's values. Thus, ethical leadership plays a critical role in establishing an ethical climate and fostering positive employee and organizational outcomes.

Ethical leadership theoretical support

Ethical leadership theory emphasizes the role of leaders in promoting ethical behavior through both personal conduct and organizational influence. It is

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grounded in **Social Learning Theory** (Bandura, 1977), suggesting that employees observe and emulate the behavior of ethical leaders who serve as moral role models. Ethical leaders are characterized by honesty, integrity, fairness, and a strong concern for stakeholders (Brown, Treviño, & Harrison, 2005). They not only lead by example but also establish clear ethical standards, communicate expectations, and hold others accountable, fulfilling the role of moral managers. Research shows that ethical leadership positively influences employee attitudes and behaviors, such as trust, job satisfaction, and organizational citizenship behavior, while reducing misconduct and turnover (Mayer et al., 2009; Treviño, Brown, & Hartman, 2003). Overall, ethical leadership contributes to a strong ethical climate and sustainable organizational performance.

Ethical leadership and employee performance

Ethical leadership has been found to have a significant impact on employee performance through various mechanisms. Studies indicate that ethical leadership positively influences employee task performance by fostering organizational identification (OID) among employees (Yang & Wei, 2017). This relationship is further strengthened by employees' proactive personalities, suggesting that individual differences play a role in how ethical leadership affects performance.

Interestingly, some research presents contradictory findings. While Yang and Wei (2017) reports a direct positive effect of ethical leadership on employee performance, Sugianingrat et al. (2019) found that ethical leadership does not have a significant direct effect on employee performance in the context of non-star hotels in Bali. However, Sugianingrat et al. (2019) does highlight that employee engagement and organizational citizenship behavior (OCB) mediate the relationship between ethical leadership and employee performance. Similarly, Sarwar et al. (2020) emphasizes the mediating role of organizational ethical culture in the relationship between ethical leadership and employee performance.

In conclusion, the overall evidence suggests that ethical leadership generally enhances employee performance, albeit through various mediating factors such as organizational identification, employee engagement, and organizational citizenship behavior (Sarwar et al., 2020; Semianimate et al., 2019; Yang & Wei, 2017). The relationship is also influenced by contextual factors like organizational ethical culture

and employee characteristics such as proactive personality (Sarwar et al., 2020; Yang & Wei, 2017). Furthermore, ethical leadership has been found to moderate the effect of employee ethical behavior on job performance in state-owned enterprises (Dogbe et al., 2024). These findings underscore the importance of ethical leadership in fostering a positive work environment that ultimately contributes to improved employee performance.

H1: Ethical Leadership significantly and positively influences employee performance

Ethical leadership and employee engagement

Ethical leadership has been found to have a significant positive effect on employee work engagement across multiple studies. Several papers demonstrate this relationship through various mechanisms:

Ethical leadership directly enhances work engagement by creating a positive ethical culture and fostering trust (Engelbrecht et al., 2014; Mitonga-Monga et al., 2016). It also indirectly influences engagement through psychological empowerment (Ahmad & Gao, 2018) and by increasing the meaningfulness employees experience in their work (Demirtas et al., 2015).

Additionally, ethical leadership promotes organizational commitment, which in turn leads to higher engagement (Yang & Wei, 2017).

Interestingly, the relationship between ethical leadership and engagement is not always straightforward. Power distance orientation can mitigate the positive effects of ethical leadership on psychological empowerment and engagement (Ahmad & Gao, 2018). Employee entitlement can negatively impact engagement, but ethical leadership helps mitigate this effect (Joplin et al., 2019). Furthermore, ethical leadership's impact on engagement can be strengthened when employees use cognitive reappraisal as an emotion regulation strategy (Demirtas et al., 2015).

In conclusion, ethical leadership plays a crucial role in fostering employee engagement through various psychological mechanisms. It creates a trusting and ethical work environment, enhances the meaningfulness of work, and promotes organizational commitment. However, cultural factors and individual differences can moderate this relationship. Organizations should focus on developing ethical leaders to create an engaged workforce, while also considering the potential moderating factors that may

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influence this relationship.

H2: Ethical Leadership significantly and positively influences employee engagement

Ethical leadership and employee trust

Ethical leadership has been consistently found to have a positive relationship with employee trust across multiple studies. Research indicates that ethical leadership leads to higher levels of both affective and cognitive trust in leaders (Newman et al., 2013). This trust, in turn, mediates the relationship between ethical leadership and various positive employee outcomes.

Several studies highlight the mediating role of trust in the relationship between ethical leadership and employee behaviors. For instance, trust in leaders mediates the effect of ethical leadership on employee creativity (Javed et al., 2018), organizational commitment (Zhu et al., 2004), voice behavior (Afsar & Shahjehan, 2018; Qi & Ming-Xia, 2013), and knowledge sharing behaviors (Le & Lei, 2018; Le & Nguyen, 2022). Interestingly, Lu (2014) found that while affective trust fully mediated the relationship between ethical leadership and organizational citizenship behaviors, cognitive trust did not have a significant mediating effect.

In conclusion, the research consistently demonstrates that ethical leadership fosters employee trust, which in turn leads to various positive organizational outcomes. This relationship appears to hold true across different cultural contexts, including China (Lu, 2014; Qi & Ming-Xia, 2013), Pakistan (Afsar & Shahjehan, 2018; Javed et al., 2018), and the UK (Mozumder, 2016). The findings underscore the importance of ethical leadership in building trust and promoting desirable employee behaviors in organizations. Future research could further explore the differential effects of cognitive and affective trust, as well as the potential moderating factors in this relationship.

H3: Ethical Leadership significantly and positively influences employee trust

Mediation of employee engagement between Ethical leadership and employee performance

Ethical leadership has been found to positively influence employee performance through the mediating role of employee engagement (Asif et al., 2020; Islam et al., 2023; Sugianingrat et al., 2019). Studies have shown that ethical leaders can enhance their followers' creative behaviors and overall performance by fostering affective commitment and work engagement (Asif et al., 2020). The relationship between ethical leadership and employee performance

is not always direct, but often mediated by employee engagement and other factors like organizational citizenship behavior (OCB) (Sugianingrat et al., 2019).

Interestingly, some studies have found contradictory results. For instance, one study reported that ethical leadership does not have a significant direct effect on employee performance in non-star hotels in Bali (Sugianingrat et al., 2019). However, the same study confirmed that employee engagement mediates the relationship between ethical leadership and employee performance. This highlights the crucial role of employee engagement in translating ethical leadership into improved performance outcomes.

In conclusion, the mediating role of employee engagement in the relationship between ethical leadership and employee performance is well-supported by research. Ethical leaders can positively influence employee engagement, which in turn leads to improved performance (Engelbrecht et al., 2014; Islam et al., 2023). This mediation effect is further strengthened when combined with other factors such as trust in leadership and organizational identification (Islam et al., 2023; Kia et al., 2019). Organizations should focus on developing ethical leaders who

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can foster a work environment that promotes employee engagement, ultimately leading to enhanced performance and productivity.

H4: Mediation of employee engagement between Ethical leadership and employee performance

Mediation of employee trust between Ethical leadership and employee performance

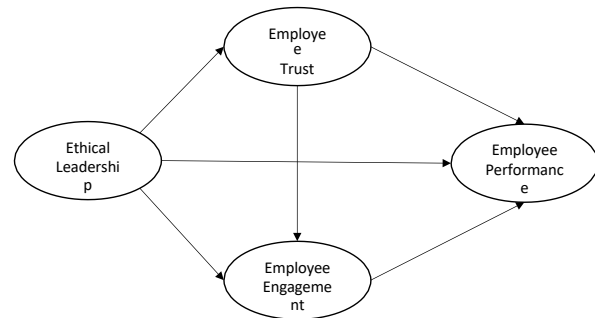
Ethical leadership has emerged as a crucial determinant of various positive employee outcomes, particularly employee performance. Recent literature highlights that this relationship is not always direct but often mediated by psychological factors such as **employee trust**. Trust is defined as the willingness of an individual to be vulnerable to the actions of another, based on the expectation that the latter will perform a particular action important to the former, irrespective of the ability to monitor or control them (Mayer, Davis, & Schoorman, 1995). Ethical leaders, through their fairness, integrity, and concern for others, are more likely to foster such trust among employees (Brown, Treviño, & Harrison, 2005).

Several studies confirm that **employee trust acts as a key mediator** in the ethical leadership–performance link. For instance, **Ng and Feldman (2015)** demonstrated that ethical leadership enhances subordinates’ trust in leaders, which in turn improves their in-role and extra-role performance. Similarly, **Mo & Shi (2017)** found that trust in leaders mediated the relationship between ethical leadership and both task performance and organizational citizenship behaviors (OCBs) in a Chinese organizational context. Ethical leaders signal consistency, ethical conduct, and reliability, which builds psychological safety and motivates employees to reciprocate through higher effort and improved performance (Dirks & Ferrin, 2002).

Moreover, **Hassan and Ahmed (2011)** empirically supported the mediation effect of trust in the ethical leadership–employee outcomes relationship, showing that trust enhances employee motivation, commitment, and work outcomes. These findings align with **Social Exchange Theory** (Blau, 1964), which posits that employees tend to reciprocate fair and respectful treatment from leaders with positive work behaviors. Thus, employee trust serves as a crucial psychological mechanism translating ethical leadership into improved employee performance.

H5: Mediation of employee engagement between Ethical leadership and employee performance

2.2 Conceptual model



3 Materials and methods

This study adopts a **quantitative, cross-sectional research design** to investigate the influence of ethical leadership on employee performance, with employee engagement and employee trust as mediating variables. A **descriptive and explanatory approach** is used to understand relationships and test causal pathways between variables based on existing theoretical models (Creswell & Creswell, 2018).

The population consists of employees working in mid-sized and large organizations across sectors such as IT, manufacturing, and logistics in India. A **stratified random sampling technique** will be used to ensure representation across different hierarchical levels and departments. Based on guidelines by Hair et al. (2019) for structural equation modeling (SEM), a **sample size of 300–400 respondents** will be targeted to ensure reliable path estimates and mediation testing.

Primary data will be collected through a **structured questionnaire** administered either online or physically. All respondents will be assured of confidentiality and anonymity to ensure honest responses. A **5-point Likert scale** will be used (ranging from 1 = Strongly Disagree to 5 = Strongly Agree).

Ethical Leadership will be measured using the 10-item Ethical Leadership Scale (ELS) developed by Brown, Treviño, and Harrison (2005).

Employee Engagement will be assessed using the Utrecht Work Engagement Scale (UWES-9) developed by Schaufeli et al. (2006).

Employee Trust in leadership will be measured using items from Mayer and Davis (1999) focusing

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on trustworthiness dimensions: ability, benevolence, and integrity.

Employee Performance will be self-rated using a scale by Williams and Anderson (1991), focusing on in-role behavior.

4 Analysis and Results

The measurement model was substantiated using confirmatory factor analysis (CFA), and the hypothesized paths in the proposed research model were investigated using structural equation modeling. Structural equation modeling is recommended for analyzing non-scientific constructs. (i.e. benefits, attitudes and intentions) and cannot be directly measured. The researchers indicated that some constructs “can only be measured through observable measures or indicators that vary in their degree of observational meaningfulness and validity” (Steenkamp and Baumgartner, 2000).

Descriptive statistics for the respondents’ gender, age and marital status are shown in Table 1. Cronbach’s alpha and zero-order correlations were calculated using the Statistical Package for Social Sciences (SPSS v.21). Next, we used AMOS version 21 to complete the CFA. We used Anderson and Gerbing (1988) two-step approach to test the theoretical model. First, a CFA analysis was performed, and then the structural model was tested. In the CFA, we assessed the measurement model validity by running a single-factor model to hypothesize a seven-factor model. In the hypothesized seven-factor model, we considered all of the studies constructed as individual factors. In the CFA, we used the following fit values to assess the model fit: chi-square ratio, goodness of fit index (GFI), comparative fit index (CFI), root mean square error of approximation (RMSEA) and Akaike information criterion (AIC). The desired cut-off values of GFI and CFI are >0.9 and RMSEA <0.06 (Hair et al., 2009).

Demographic profile

Measurement model

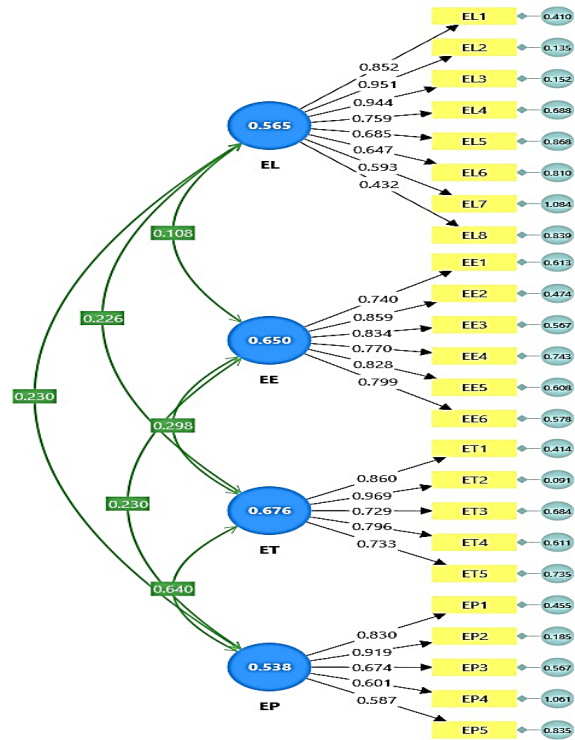


Figure 2 Measurement Model

Table 1 Model fit

Measure	Estimated model	Null model
Chi-square	1145.185	7284.509
Number of model parameters	54.000	24.000
Number of observations	400.000	n/a
Degrees of freedom	246.000	276.000
P value	0.000	0.000
ChiSqr/df	4.655	26.393
RMSEA	0.096	0.252
RMSEA LOW 90% CI	0.090	0.247
RMSEA HIGH 90% CI	0.101	0.257
GFI	0.975	n/a
AGFI	0.950	n/a
PGFI	0.952	n/a
SRMR	0.086	n/a
NFI	0.943	n/a

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TLI	0.956	n/a
CFI	0.972	n/a
AIC	1253.185	n/a
BIC	1468.724	n/a

To assess the adequacy of the structural equation model, multiple fit indices were examined, comparing the estimated model against the null model. The results indicate a substantially improved fit for the estimated model over the null model.

The Chi-square statistic for the estimated model was 1145.185 with 246 degrees of freedom ($p < 0.001$), significantly lower than that of the null model ($\chi^2 = 7284.509$, $df = 276$, $p < 0.001$). Although the Chi-square test was significant—a common occurrence in large samples—it is the relative Chi-square (χ^2/df) that offers a more practical measure of model fit. The estimated model's ratio of 4.655 is within the acceptable threshold of less than 5, suggesting a reasonable model-data fit, whereas the null model's ratio of 26.393 indicates poor fit.

The Root Mean Square Error of Approximation (RMSEA) for the estimated model was 0.096, with a 90% confidence interval ranging from 0.090 to 0.101. While this value slightly exceeds the conventional cutoff of 0.08, it still indicates a moderate fit, especially when considered alongside the substantial improvement from the null model RMSEA of 0.252. The Standardized Root Mean Square Residual (SRMR) value of 0.086 for the estimated model is within the acceptable range of <0.10 , further supporting model adequacy.

Other incremental fit indices were also evaluated. The Goodness of Fit Index (GFI) and Adjusted Goodness of Fit Index (AGFI) were 0.975 and 0.950 respectively, both above the recommended threshold of 0.90, indicating excellent model fit. The Comparative Fit Index (CFI) and Tucker-Lewis Index (TLI) were 0.972 and 0.956 respectively, further confirming a good incremental fit relative to the null model. The Normed Fit Index (NFI) was also strong at 0.943, indicating that the proposed model explains a significant proportion of the observed covariance.

The Parsimony-based indices, such as the Parsimony Goodness of Fit Index (PGFI) at 0.952, suggest that the model achieves a good balance between complexity and explanatory power. Furthermore, the

Akaike Information Criterion (AIC) and Bayesian Information Criterion (BIC) values were 1253.185 and 1468.724, respectively. While these are not interpretable in isolation, they are useful for model comparison, particularly when nested models are tested.

Table 2 Model reliability and convergent validity

	Cronbach's alpha (standardized)	Cronbach's alpha (unstandardized)	Composite reliability (rho_c)	Average variance extracted (AVE)
EE	0.917	0.917	0.919	0.650
EL	0.911	0.912	0.910	0.565
EP	0.845	0.840	0.846	0.538
ET	0.912	0.911	0.911	0.676

To ensure the internal consistency and convergent validity of the measurement model, several reliability indices were assessed, including Cronbach's Alpha (standardized and unstandardized), Composite Reliability (ρ_c), and Average Variance Extracted (AVE).

All constructs demonstrated high internal consistency reliability, with standardized Cronbach's alpha values exceeding the recommended threshold of 0.70. Specifically, the Cronbach's alpha for Employee Engagement (EE) was 0.917, for Ethical Leadership (EL) was 0.911, for Employee Trust (ET) was 0.912, and for Employee Performance (EP) was slightly lower but still acceptable at 0.845. These results confirm that the items within each construct exhibit strong internal coherence.

Composite reliability (ρ_c), which provides a more robust measure of construct reliability in structural equation modeling, also supported these findings. All constructs showed composite reliability values above the recommended threshold of 0.70, with $EE = 0.919$, $EL = 0.910$, $EP = 0.846$, and $ET = 0.911$. These values indicate a high degree of reliability in measuring latent constructs.

In terms of convergent validity, Average Variance Extracted (AVE) was used to assess the extent to

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which items of a construct converge in measuring the same concept. An AVE value of 0.50 or above indicates acceptable convergent validity. The results show that EE (AVE = 0.650) and ET (AVE = 0.676) exhibit strong convergent validity, while EL (AVE = 0.565) and EP (AVE = 0.538) also meet the minimum acceptable level.

Table 3 Model discriminant validity

	EE	EL	EP	ET
EE	0.806			
EL	0.120	0.752		
EP	0.266	0.220	0.734	
ET	0.320	0.201	0.590	0.822

Discriminant validity of the latent constructs was evaluated using the Fornell–Larcker criterion (Fornell & Larcker, 1981), which stipulates that a construct should share more variance with its own indicators than with those of other constructs. This is established when the square root of the Average Variance Extracted (AVE) for each construct (displayed on the diagonal) is greater than the correlations between the construct and any other latent variable (displayed off-diagonal).

As shown in Table 3, the square roots of the AVE are: Employee Engagement (EE) = 0.806, Ethical Leadership (EL) = 0.752, Employee Performance (EP) = 0.734 and Employee Trust (ET) = 0.822. Each of these values exceeds the respective inter-construct correlations. For example, the square root of AVE for Employee Trust (0.822) is greater than its correlations with EE (0.320), EL (0.201), and EP (0.590). Similarly, EE's square root of AVE (0.806) is higher than its correlations with ET (0.320), EP (0.266), and EL (0.120). This pattern is consistent across all constructs.

Structural model

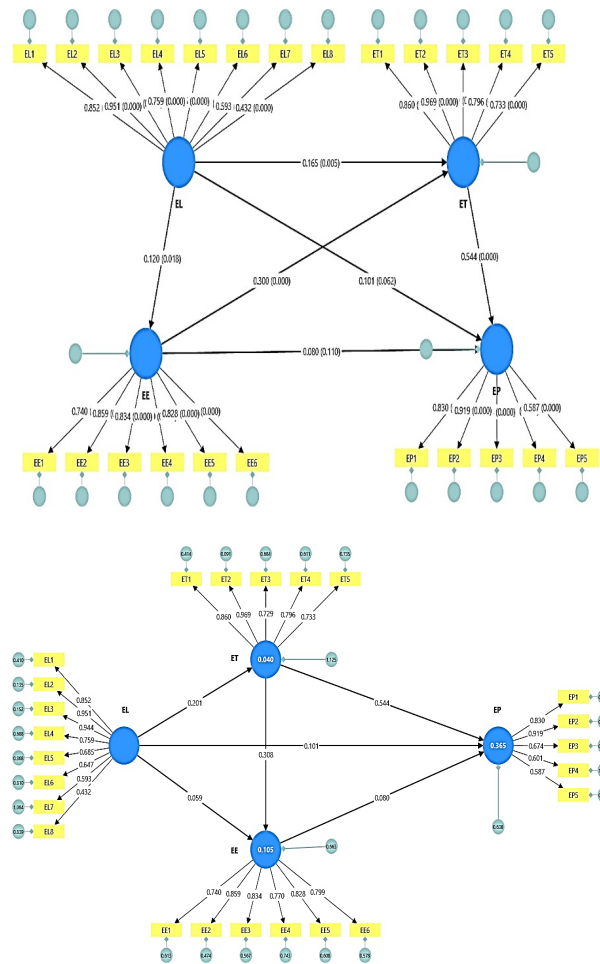


Table 4 Direct effects

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics ((O/STDEV))	P values
EE → EP	0.080	0.083	0.050	1.602	0.110
EL → EE	0.059	0.059	0.048	1.216	0.225
EL → EP	0.101	0.099	0.054	1.872	0.062
EL → ET	0.201	0.199	0.061	3.263	0.001
ET → EE	0.308	0.309	0.051	6.007	0.000
ET → EP	0.544	0.546	0.057	9.558	0.000

The structural model was evaluated using path coefficients, t-statistics, and p-values to test the hypothesized relationships among the constructs. The results of the path analysis revealed both significant and non-significant relationships.

Firstly, the path from Employee Engagement (EE) to Employee Performance (EP) was found to be positive but statistically non-significant ($\beta = 0.080$, $t = 1.602$, $p = 0.110$), suggesting that employee engagement alone may not directly influence performance outcomes in a statistically meaningful way within the current model context. Similarly, the path from Ethical Leadership (EL) to Employee Engagement (EE) was also non-

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significant ($\beta = 0.059, t = 1.216, p = 0.225$), indicating that ethical leadership does not have a direct effect on engagement levels in this setting.

The path from Ethical Leadership (EL) to Employee Performance (EP) showed a marginal effect ($\beta = 0.101, t = 1.872, p = 0.062$), which is close to the conventional significance threshold of 0.05. This suggests a potentially meaningful, though not conclusive, direct influence of ethical leadership on performance. Future studies might consider larger sample sizes or additional mediating variables to further explore this relationship.

Importantly, the results underscore the central role of Ethical Leadership (EL) in influencing Employee Trust (ET), with a statistically significant and strong positive path ($\beta = 0.201, t = 3.263, p = 0.001$). This highlights the importance of leadership behaviors in fostering trust among employees. Furthermore, Employee Trust (ET) demonstrated a significant positive effect on both Employee Engagement (EE) ($\beta = 0.308, t = 6.007, p < 0.001$) and Employee Performance (EP) ($\beta = 0.544, t = 9.558, p < 0.001$). These findings strongly support the mediating role of trust in the model.

Table 5 Indirect effects

	Original sample (O)	Sample mean (M)	Standard deviation (STDEV)	T statistics (O/STDEV)	P values
EL->EE->EP	0.005	0.005	0.005	0.911	0.363
ET->EE->EP	0.025	0.026	0.017	1.459	0.145
EL->ET->EE->EP	0.005	0.005	0.004	1.278	0.202
EL->ET->EE	0.062	0.061	0.021	2.925	0.004
EL->ET->EP	0.109	0.110	0.037	2.929	0.004

The mediation analysis provides additional insight into the mechanisms through which Ethical Leadership (EL) and Employee Trust (ET) influence Employee Engagement (EE) and Employee Performance (EP).

The specific indirect effect from Ethical Leadership to Employee Performance through Employee Engagement (EL → EE → EP) was found to be statistically non-significant ($\beta = 0.005, t = 0.911, p = 0.363$). This suggests that ethical leadership does not significantly influence employee performance through the sole mediation of engagement. Similarly, the indirect effect of Employee Trust on Performance through Engagement (ET → EE → EP) was also non-significant ($\beta = 0.025, t = 1.459, p = 0.145$), indicating that trust, when mediated only by engagement, does not significantly affect performance.

The sequential mediation path from Ethical

Leadership → Employee Trust → Employee Engagement → Employee Performance (EL → ET → EE → EP) also failed to reach statistical significance ($\beta = 0.005, t = 1.278, p = 0.202$). While theoretically plausible, this complex path did not show a robust indirect effect in the current model, suggesting possible attenuation or loss of impact through multiple mediators.

However, significant indirect effects emerged in two key paths. The path from Ethical Leadership to Employee Engagement through Employee Trust (EL → ET → EE) was statistically significant ($\beta = 0.062, t = 2.925, p = 0.004$), indicating that trust serves as a strong mediator between ethical leadership and employee engagement. This supports the assertion that ethical leadership enhances employee engagement primarily by fostering trust.

More importantly, the indirect path from Ethical Leadership to Employee Performance through Employee Trust (EL → ET → EP) was also found to be statistically significant ($\beta = 0.109, t = 2.929, p = 0.004$). This result confirms that employee trust acts as a key psychological mechanism through which ethical leadership positively influences performance outcomes.

Implications

The findings of this study offer several important theoretical and practical implications for organizational behavior, leadership development, and human resource management, particularly in contexts where ethical leadership and employee trust are central to performance outcomes.

From a theoretical perspective, the study reinforces the critical role of employee trust as a key mediating mechanism linking ethical leadership to both employee engagement and performance. While ethical leadership alone did not directly enhance engagement or performance, its impact was significantly transmitted through trust. This emphasizes the need for models that capture multi-layered and indirect pathways of influence, rather than assuming direct linear relationships.

Practically, the results have strong implications for leadership development and training programs. Organizations should prioritize the cultivation of ethical leadership behaviors—such as fairness, transparency, integrity, and empathy—as these foster trust, which in turn significantly boosts employee outcomes. Leadership initiatives that fail to address

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trust-building may not realize the full potential of ethical leadership in enhancing organizational performance.

Moreover, employee engagement, though widely recognized as a performance driver, was not found to be a statistically significant mediator in this model unless supported by trust. This finding underscores the need for organizations to nurture a culture of trust before expecting engagement initiatives to yield meaningful performance benefits.

For HR practitioners and managers, the results suggest designing integrated leadership and trust-building strategies. These may include transparent communication channels, inclusive decision-making, ethical codes of conduct, and fair treatment policies. Such efforts not only enhance trust but create a stronger foundation for employee motivation and sustained performance.

Conclusion

This study investigated the structural relationships among Ethical Leadership (EL), Employee Trust (ET), Employee Engagement (EE), and Employee Performance (EP) using a structural equation modeling approach. The findings revealed that ethical leadership does not directly influence employee engagement or performance but exerts a significant indirect effect via employee trust. The strongest path observed was from EL → ET → EP, establishing trust as the dominant mediating variable in this framework.

Furthermore, the indirect influence of EL on EE through ET was also significant, reinforcing the role of trust in fostering engagement. However, the serial mediation path (EL → ET → EE → EP) and other indirect routes involving only engagement were not statistically significant, highlighting the limited mediating power of engagement in the absence of trust.

In conclusion, the study demonstrates that ethical leadership must be translated into trust before it can impact employee engagement and performance. Organizations seeking to improve employee outcomes should therefore focus on building trust-based leadership models that enable ethical leaders to transform workplace dynamics and drive performance through relational strength and credibility.

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