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**"A NEXUS BETWEEN ETHICAL LEADERSHIP AND TURNOVER  
INTENTIONS AMONG THE EMPLOYEES OF IT SECTOR: A  
MODERATED MEDIATION MODEL OF GENERAL SELF-EFFICACY  
AND EMPLOYEE ENGAGEMENT"**



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## **DECLARATION**

This thesis is dedicated to my family for their unending love, motivation, and unconditional support. I would also like to dedicate it to my teachers, in particular, Dr. Haris Laeeq who inspired me to pursue excellence and brilliance. I want to especially thanks my friends who made this possible with their help and support.

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First and foremost, I want to give thanks to Allah Almighty (SWT), who is the most forgiving and compassionate, and I want to express my sincere gratitude to the Holy Prophet, who is the greatest scholar and teacher in human history (Peace be Upon Him).

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Last but not least, I want to express my gratitude to my family for their love, prayers, and best wishes as well as to my friends for their moral support and encouragement.

## PLAGIARISM DECLARATION

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## ABSTRACT

This study aims at investigating the impact of ethical leadership on turnover intentions of employees through employee engagement, and how general self-efficacy moderates the relationship between ethical leadership and employee engagement. This is a cross-sectional study based on the data collection from employees of the IT sector of Pakistan. The research hypotheses of this study are tested using Structural Equation Modelling (SEM). The data of this study is analysed in 2 stages. In the first stage, preliminary analysis and descriptive analysis were performed. In the second stage, the measurement model was analysed and hypotheses were tested using SEM. The results show a negative significant impact of ethical leadership on turnover intentions of employees through employee engagement. Moreover, results show that employees with high self-efficacy weaken the relationship between ethical leadership and employee engagement than employees with low general self-efficacy. This study provides a novel insight into the relationship between ethical leadership and turnover intentions through employee engagement. This study is the first one to explore moderating impact of general self-efficacy in the relationship between ethical leadership and employee engagement.

**Keywords:** Ethical leadership, Employee engagement, General self-efficacy, Turnover intentions, IT sector

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# CHAPTER 1

## INTRODUCTION

### 1.1 Introduction

The study's historical background is discussed in this chapter. It also outlines the core problem driving this research as well as its primary goals. It also includes the primary objectives and research questions for this research. The primary variables of this study are also briefly defined in the final chapter.

### 1.2 Background

Recent studies have emphasised the importance of ethical leadership in terms of its favourable effects for followers., hence ensuring the long-term viability of organizations (Huang and Paterson, 2017; Byun et al., 2018;). In order to raise ethical standards at work, debate of leaders' actions and conduct has grown more pertinent in recent years. (Moor et al., 2019; Demirtas and Akdogan, 2015; Kuenzi et al., 2019, 2020). Unfortunately, nuance study is conducted on contextual and unrelated phenomena that describe the conditions under which ethical leadership becomes successful. This concept is still in its early phases of empirical study. (Waldman et al., 2017). In today's fast-paced world, workplace ethics is critical for fostering a fair atmosphere (Walumbwa et al., 2017), minimizing unethical pro- organizational behaviour (Zhang, 2018), organizational identity (Demirtas et al., 2017) and employees have faith in sustainable businesses (Guh et al., 2013; Tourigny et al., 2017). As a result, it's critical to identify the elements that influence ethical leadership in different ways.

According to previous research, improving employee engagement (EE) can minimise turnover intention (TI) (Bailey et al., 2015). With the shift in leadership's focus on employee engagement

in long-term businesses, the focus of the organisation is evolving as well (Ilyas et al., 2020). It was also vital to understand how a leader's activities impact employee engagement with work and what mechanisms leaders might use to improve EE in long-term organisations (Carasco-Saul et al., 2015). To fully appreciate the primary cause of employee turnover, it is necessary to focus on leadership as the primary basis (Dupre & Day, 2007).

Researchers have focused their attention on ethical leadership (EL), emphasising its importance in promoting moral values among employees (Qing et al., 2019), as well as positive actions such as work engagement and job satisfaction, while bad workplace activities are discouraged with the goal of lowering turnover. As a result, there is a decreased rate of employee turnover, which might be an economic disadvantage for the company (Kaur et al., 2013). The purpose of this research is to inspect how to minimise an employee's TI and whether or not EL has any impact on decreasing TI. Negative "General Self-Efficacy (GSE)" as a feature with EL impacting TI has only been studied in a few cases.

Unlike other leadership approaches, ethical leaders infuse a sense of obligation in their staff in order to encourage them and equip them with resourcefulness. Ethical leaders communicate openly and clearly about their responsibilities and expectations, which helps employees understand the organization's and society's expectations (Brown et al., 2005), and followers who are supervised by such leaders have a higher level of engagement and commitment with the organisation (Kalshoven et al., 2011). A commonly accepted code of ethics at work called ethical leadership pushes people to give their all with perseverance and enthusiasm (Piccolo et al., 2010). According to Brown et al. (2005), ethical leaders care about people, are fair in how they treat others, exhibit integrity, and encourage ethical behaviour among their followers.

### **1.3 Problem Statement**

Retaining employees has become a huge obstacle and business owners have to bear different expenses like hiring, screening, coaching, and performance appraisal, etc. because employees have become an incredibly valuable asset of the firm (Torlak et al., 2020). Owners must give a completely favorable workplace to their workers in the firm to maximize the value for money on their worker's behalf (Torlak et al., 2020). Loss of good personnel can harm the competitiveness of a firm by reducing confidence among the rest of the employees (Holtom & Burch, 2016). Despite such negative repercussions, the rate of voluntary turnover keeps increasing globally. According to the Gallup survey (2017), in Pakistan the average percentage of truly engaged employees is almost 15%. Research is focused on these obstacles and also how these issues can be overcome.

### **1.4 Research Gap**

Research conducted in November 2015 by the "US Bureau of Labor", 2.8M voluntary quits were recorded. According to these figures, Turnover Intentions (TI) is a worldwide issue that is quickly becoming a serious impediment to firms accomplishing their strategic goals.

To bridge these gaps, this research established a model which describes the mediated moderated relationship of TI & EL based on social exchange theory.

As per social exchange theory (SET), "in reaction to positive initiating actions, targets will tend to reply in kind by engaging in more positive reciprocating responses" (Crppanzano et al., 2017). As a result of this approach, employees become highly committed towards the organization (Meyer et al., 2002), start believing (Konovsky & Pugh, 1994), and are reluctant to leave.

This study will contribute to research in different aspects: First, this type of research is not usually conducted in the IT sector, but in public and private SMEs. So, the data was collected from the IT sector specifically the Software Technology Park, Islamabad. Secondly, in this

type of study, researchers usually examine self-efficacy, a few of the researches have been done on GSE. So, this study investigates GSE; a trait, as a moderator. Comprehensively this study will contribute to our knowledge by examining how much EL influences TI.

### **1.5 Research Objectives**

To cope up with the shortcomings of previous studies, there are three main objectives of this research paper:

- 1) To examine the relationship between EL and TI.
- 2) To examine the role of EE as a mediator between the association of EL and TI.
- 3) To examine the influence of GSE on the relationship of EL and TI.

### **1.6 Research Questions**

- 1) Does EL and TI has any relationship in the IT sector of Pakistan?
- 2) Does EE act as a mediator between the association of EL and TI?
- 3) Does GSE has any influence on the relationship between EL and TI?

### **1.7 Significance**

This study provides a novel insight into the relationship between ethical leadership and turnover intentions through employee engagement. This study is the first one to explain the moderating impact of general self-efficacy in the relationship between ethical leadership and employee engagement. Leaders of different sectors are able to get benefits from the results of this study if they are facing the issue of employee turnover. They can develop new leadership style and observe the changes. The policymakers can make policies by identifying the personality of their employees. If employees are highly self-efficient then policies will be different from the employees with low self-efficacy. Moreover, at the time of recruitment for any post in the organization, a leader can recruit an individual who has personality traits aligned with the culture of the organization.

## **1.8 Definitions of Variables**

### **1.8.1 Ethical Leadership**

According to Brown and Trevio (2006), ethical leadership is the demonstration of ethical behaviours and ethical management techniques inside a company.

### **1.8.2 Turnover Intentions**

Employee willingness to quit an organization and transfer to another organisation is referred to as turnover.

### **1.8.3 Employee Engagement**

The definition of employee engagement is the simultaneous application of physical, cognitive, and emotional energy to one's professional duties (Kahn, 1990; Rich et al., 2010).

### **1.8.4 General Self-Efficacy**

The description offered by Bandura (1977), “the belief in one’s capabilities to organize and execute the courses of action required to manage prospective situations.” is reflected in general self-efficacy beliefs.



## Chapter: 2

### LITERATURE REVIEW

#### **Ethical Leadership (EL)**

In contrast to some other leadership styles, EL instils work ethics in their employees in order to motivate and empower them to be creative (Ilyas et al., 2020). Ethical leaders communicate honestly and clearly about their obligations and tasks, which helps workers comprehend a firm's expectations and social conditioning (Brown et al., 2005), and ethical leaders' disciples may have a higher level of dedication and involvement towards the firm (Kalshoven et al., 2011). EL is a widely accepted norm of professional behaviour, as a result of which employees are more motivated to give their best effort (Piccolo et al., 2010). Ethical leaders are concerned about their employees, are fair in their dealings, demonstrate honesty, and encourage moral behaviour among their followers (Brown et al., 2005).

Other leadership styles, such as transformative leadership and authentic leadership, have been compared to the EL style and found to be conceptually equivalent (Avolia & Gardner, 2005). Transformative leadership leaders, according to Bass (1985), can act morally or immorally. Transformative leaders may act immorally if their beliefs are incapable of advising on moral activities (Price, 2003) or if they have egocentric ambitions. (Bass, 1985). Brown et al. (2005) reported that ethical leaders can split into two dimensions: “ethical person” and “ethical manager”. When it comes to ethical persona, EL has a lot in common with both transformative and authentic styles of leadership. When it comes to ethical management, ethical leaders actively convey ethical codes by attaching rewards and penalties for moral and immoral behaviors of workers (Ilyas et al., 2020). By displaying the “transactional element”, ethical leaders set themselves apart from all other styles of leadership (Trevino et al., 2003). Additionally, EL seems to be connected to but different from other theoretical approaches

(Brown & Trevino, 2006). Furthermore, compared with other styles of leadership, EL predicts more variation in the predicted variable (Ilyas et al., 2020).

"The demonstration of normatively proper conduct through one's own acts and interpersonal interactions, and the encouragement of such conduct to followers through two-way communication, reinforcement, and decision-making" are the definitions of ethical leadership (Brown et al., 2005, p. 120). According to Brown et al. (2005), ethical leaders should employ rewards and fair and balanced punishment to hold followers accountable for their ethical behaviour. They should also enlighten people about the advantages of acting ethically and the costs of acting inappropriately. The term "ethical leadership" refers to the moral dimension of leadership styles, such as "authentic leadership," "servant leadership," or "value-based leadership," in the leadership literature (Ahmad et al., 2018).

Morality is incorporated into decision-making by ethical leaders, who also consider the moral implications of their actions and make an effort to make just judgments. Additionally, for this reason, a moral leader is a "effective leader" (Ciulla, 1995). Ethical leaders encourage positive behaviours among employees, foster high levels of pride and commitment to the organisation, as well as affect how employees view the work environment by focusing on fair treatment, shared values, and integrity in common personnel and business transactions (Piccolo, et al., 2010). Additionally, as they are regarded as dependable, honest, and credible, ethical leaders are a particularly significant source for observation and emulation (Miao et al., 2020). As a result, leaders who act ethically are believable and valid role models (Zhao et al., 2020).

## **Turnover Intention (TI)**

In the previous studies, the term “TI” has already been used correspondently with various phrases like “propensity to leave”, “intend to leave”, and “intention to quilt” (Yasin, 2021). The cognitive desire of an employee to leave his/her firm is referred to as TI in this research. The term turnover is described as “the voluntary or involuntary permanent withdrawal from an organization” (Robbins & Judge, 2007). The aforementioned is concerned with the worker's own choice to depart, whereas, the last-mentioned is concerned with the choice of firm to dismiss the workers (Price & Mueller, 1981). The cost of replacing the workers is sometimes very high (Hinkin and Tracey, 2000), turnover might be detrimental to the effectiveness of the firm (Glebbeck & Bax, 2004).

Employee departure from a firm is known as turnover, but employee intention to quit their current employer is known as turnover intent (Siddiqui & Jamil, 2015). Employee turnover intention and actual turnover are influenced by a variety of factors. Similar to this, the possibility that a worker would quit their job in a particular amount of time, leading to turnover, is known as turnover intention (Kaur, Mohindru, & Pankaj., 2013).

As it is hard to analyse real TI's, So, Lingard (2003) claims that intention to depart is a stable and consistent determinant of subsequent turnover. Low Job satisfaction caused by issues associated with recruiter, advancement, a chance for growth, and restructuring of the firm; pressure associated with work, job involvement, procedural support; and socio-demographic characteristics are all the factors that influence discretionary TI (Khatri et al., 2001; Randhawa, 2007). According to Ahmed et al. (2012), workers who are stressed at work are more likely to leave the company. The workers who are under any psychological stress must deal with a variety of personal, relational, and organizational demands which can harm the person him/herself and the efficiency of the organization, their ambition, and wellbeing (Ilyas et al., 2020). Negative turnover effects have been documented in previous studies (Kwak & Choi,

2015). Retention of workers has an impact on the sustainability, efficiency, and fiscal performance of an organization (Tse et al., 2013). Turnover of employees has an impact on a company's ability to survive and prosper (Martins & Meyer, 2012). It creates financial liability for a firm (Massingham, 2018), which results in loss of knowledge acquisition (Massingham, 2018). This loss can have a detrimental effect on the profitability and intangible assets of a firm (Schiuma et al., 2012).

Employee turnover intention is the employee's ability to quit work which may be due to voluntary and involuntary discrimination, in addition to dysfunction in the job that led to departing work, and that each type of employee turnover has a different and distinct impact on the company (Long et al., 2012). People and employees are an organization's and company's most important assets. There are variety of causes for a high turnover rate including personal, environmental, and even company related factors. The causes that force employees to leave the company can be divided into 2 groups: push factors and pull factors (Chiat & Panatik, 2019).

The penultimate stage before employees decide to leave is related to turnover intention, which is a significant predictor of actual turnover (Griffeth et al., 2000). (Zhao and Li, 2012). In a nutshell, "an individual's purposeful decision to leave their job in search of a new one" is referred to as "employee turnover intention" (Wang and Yang, 2016, p. 5). According to Shareef and Atan (2019), it has been described as a process made up of stages of psychological, cognitive, and behavioural elements that leads to actual turnover (Lin and Liu, 2017). According to Demirtas and Akdogan (2015), the variables that affect employee turnover can be divided into three categories: external factors (such as unemployment rates), organizational factors (such as leadership style), and individual factors (i.e. dissatisfaction of the work).

## **Employee Engagement (EE)**

EE is defined as “a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption” (Schaufeli et al., 2002, p. 74). Vigor is defined as “high levels of energy and mental resilience while working, the willingness to invest effort in one’s work, and persistence even in the face of difficulties” (Schaufeli et al., 2002, p. 74). Dedication is defined as “a sense of significance, enthusiasm, inspiration, pride, and challenge” (Schaufeli et al., 2002, p. 74). Absorption can be defined as “being fully concentrated and deeply engrossed in one’s work, whereby time passes quickly and one has difficulties with detaching oneself from work” (Schaufeli et al., 2002, p. 75). Employees that are engaged are excited, show a high degree of vigor in pursuing the professional ambitions they have and like what they do (Schaufeli et al., 2014). Such pleasures lead to productive behaviors. EE ultimately contributes to positive actions and outcomes (Bechtoldt et al., 2011; Hsieh & Wang, 2015).

Employee Engagement has been a popular topic in business. It is a buzzword that employers believe they understand but encounter difficulties and challenges when putting into practice. Many organizations try to copy the employee engagement activities but this is not possible. Organizations should properly implement the employee engagement activities in order to yield maximum benefits. Work engagement has been acknowledged as being crucial in assisting employees in becoming more deeply engaged with their work and reducing the impact of job burnout. Engaged employees are more likely to perform better as compared to less engaged employees. (Inceoglu & Fleck, 2010).

Employee Engagement is a workplace approach that assures individuals are committed to goals and values of their organization, motivated to contribute to organizational success, and capable of improving their personal sense of well-being (Alfes et al., 2013). Engagement was defined as a good attitude toward one’s employment, distinct from both job satisfaction and dedication. When employees are engaged, they use and combine many aspects of their emotional and

cognitive identities to transform work duties and specialized activities into meaningful accomplishments (Byrne, 2015). The dedication of one's physical, cognitive and emotional energies to one's work (Kahn, 1990). Individual involvement, contentment, and passion are all related to engagement (Harter, Schmidt, & Hayes, 2002).

Job tiredness is the polar opposite of employee engagement. Employee engagement may be a state that develops from social interactions at work and leads to improved organisational performance. When a worker finds significance in his work, corporate culture, and policies, he performs better. Self-association with job roles, which includes continued attendance at work, intense involvement there, and increased involvement in work-related activities, is another factor that contributes to employee involvement (Srivastava & Madan, 2016). The idea that individual attitudes and behaviours, and consequently levels of engagement and disengagement from work, are encouraged by the psychological experience of the workforce lends support to this. According to Margaretha et al. (2021), psychological meaning is a key factor in determining how engaged employees are at work. According to this "individual goals and focused energy, adaptability, effects, and persistence directed toward organizational goals" are the major factors influencing overall employee engagement (Albrech, 2011). Engagement is a quality that almost all businesses have measured throughout the years. It goes above and beyond fundamental gratification with a utilisation arrangement or basic devotion to the employer.

### **General Self-Efficacy (GSE)**

When it comes to turning external factors into personal actions, self-efficacy is critical (Bandura, 1986). It represents the perceptions of individuals about their capacity to gather energy, mental abilities, and behaviors to effectively complete the job (Stajkovic & Luthans, 1998). On the other hand, Bandura (2012) criticized the fact about research on self-efficacy that it has been hampered by an endeavor conception and so urged greater investigation about

“generalized self-efficacy” above situational bounds. Consequently, the term “GSE” was coined, which refers to the overall confidence of individuals in their abilities to achieve their goals (Bandura, 2006). GSE can also be described as a general self-assessment subject to contextual cues, instead of being a constant attribute (Tierney & Farmer, 2011). GSE evokes the individual differences about their ability to recognize their capacities of fulfilling the requirements related to working in a wide range of environments (Chen et al., 2001).

The phrase "the power of I can" is used to describe self-efficacy (Hefferon & Boniwell, 2011: 104) According to research, people with a high degree of self-efficacy value their abilities to overcome problems and barriers more than people with a low level of self-efficacy. A lack of self-efficacy results in people making less or no attempts to overcome difficulties (Cetin & Basim, 2014; Robbins et al., 2013). The views, motivation, and performance of an employee are influenced by their knowledge of their own capabilities and competence (Tschannen-Moran & Woolfolk Hoy, 2001; Tschannen-Moran, Woolfolk Hoy, & Hoy, 1998; Woolfolk & Hoy, 1990). Employees won't attempt to accomplish a task if they lose hope of success (Lunenburg & Ornstein, 2012). Self-efficacy beliefs influence the choices we make, the effort we put out, our degree of drive, how we feel about ourselves or others, the responsibility we carry out, and how long we persist when faced with challenges (Hefferon & Boniwell, 2011).

Self-efficacy, according to Bandura (1977), has three components: magnitude, strength, and generality. Magnitude and strength are task- and context-specific concepts (Pillai, Goldsmith & Giebelhausen, 2011). While the universality dimension of self-efficacy, according to Maurer and Pierce (1998), refers to how much self-efficacy is transferable to other contexts. According to Scholz, Doa, Sud, and Schwarzer (2002), general self-efficacy focuses on a broader understanding of personal skills in handling a variety of stressful situations. Thus, general self-efficacy is the belief in one's ability to succeed in a wide range of tasks and circumstances

(Schwarzer & Jerusalem, 1995). By altering the individual's expectations, general self-efficacy frequently affects the employee's behaviours in a variety of settings (Saks & Ashforth, 2000).

## **Theory**

This study will be based on social exchange theory (SET) which describes that “in reaction to positive initiating actions, targets will tend to reply in kind by engaging in more positive reciprocating responses” (Cropanzano et al., 2017). According to (Cropanzano & Mitchell, 2005), SET is one of the key theoretical frameworks to comprehend workplace behaviour. Its fundamental tenet is that social associations advance due to shared responsibility, mutual trust, and commitment, and that employees form decisions about perceived costs and benefits based on these considerations. As a result, each party abides by the rules of exchange. Employees feel compelled to the company when they believe the company is supporting them and when they strongly identify with the company, which increases organisational commitment (Armeli et al., 1998). According to Saks (2006), SET is the most widely accepted theory because it provides a foundational hypothetical justification for the research of employee engagement by arguing that workers may reciprocate the organization's support by being actively involved. Kahn (1990) placed special emphasis on the "social and financial exchange of resources." As a result of this approach, employees become highly committed towards the organization (Meyer et al., 2002), start believing (Konovsky & Pugh, 1994), and are reluctant to leave.

## **Ethical Leadership (EL) and Turnover Intentions (TI)**

Leaders have been discovered to keep a significant effect on workers' perceptions and actions at the workplace (Palanski et al., 2014). Even though this resulted in the studies of various forms of leadership behavior, the research on EL earned popularity in recent years (Lin & Liu, 2017). Under the display of EL, workers are more likely to develop good ideas and employee outcomes, which in return reduce the probability of TI (Shafique et al., 2018). In reality, EL appears to be crucial not only for attracting excellent behavior of the employee, but it is also



useful for minimizing and funneling unpleasant working behaviors of workers such as TI of employees (Lin & Liu, 2017). In previous literature, many scholars discussed the theory of social exchange (Karakus, 2018; Porter, 2018; Qureshi & Butt, 2020) which describes how employees perceive the actions of their leaders. The workers who see their supervisor as driven and helpful are more inclined to respond with good actions of embracing enthusiasm and dedication towards the aims of the company (Cropanzo et al., 2017). TI of the employee had a detrimental impact (Elci et al., 2012). The very same conclusion was reached by Deconick, 2014, who found the detrimental impact of EL on the TI of employees in literature.

After concluding the previous studies, the developed hypothesis is as follows:

*H1*: EL is negatively associated with the TI of the employee.

### **Mediation of Employee Engagement (EE)**

In many previous studies, EE has already been used as a mediator (Richardson et al., 2006; Balducci et al., 2010; Aggarwal et al., 2010; Biswas & Bhatnagar, 2011; Chughtai & Buckley, 2011). Engagement is associated with better well-being and advanced activities at the workplace (Schaufeli & Bakkar et al., 2004). It also provides rewarding pleasant job-related encounters and ways of thinking. The employees who have had pleasant encounters and feelings are more prone to have favorable job-related consequences, have a greater esteem for their organization, and are not inclined to quit the company voluntarily (Saks, 2006). TI is reduced when employees are engaged in their work (Albrecht et al., 2015; Juhdi et al., 2013). Work involvement contributes to emotionally satisfying job experiences, healthy life, and a psychological condition that is strongly linked with continuous work activities (Sonnetag, 2003). Satisfaction and greater sentiments boost the results related to work, enable workers to have a favorable perception of their firm which also strengthens the loyalty of workers towards their firm (Shuck et al., 2014).

Employees who are actively engaged are inclined to be “more satisfied with their jobs, feel more committed to the organization and do not intend to leave the organization” (Schaufeli & Salanove, 2008, p.388). In a study done on Dutch workers, it is stated that the more engaged workers had lower TI as compared to those who had a lower degree of engagement (Schaufeli & Bakkar, 2004). In a meta-analysis done by Bailey et al. (2015), they found that TI of employees is negatively associated with EE, giving affirmation of the possible link among these domains. The suggested hypothesis is as:

*H2: EE mediates the relationship between EL and TI.*

### **Moderation of General Self-Efficacy (GSE)**

GSE has been shown to impact the behavior of employees in a range of circumstances with the alteration of one’s requirements (Saks & Asforth, 2000). Self-efficacy, according to Bandura (1977), has three components: magnitude, strength, and generality. According to Pillai et al. (2011), attitudes about magnitude and strength have been task- and situation-specific. While the generality component of self-efficacy, as defined by Maurer and Pierce (1998), relates to how much self-efficacy is transferable to different contexts. The focus of general self-efficacy is on a broader understanding of one's own particular competencies in handling various stressful situations (Scholz et al., 2002). Thus, general self-efficacy is the belief in one's ability to succeed in a wide range of endeavours and circumstances (Schwarzer and Jerusalem, 1995). GSE links with EL behavior (Ren & chadee, 2017), and is considered to be immune towards transitory impacts (Chen et al., 2001). Employees who have greater GSE presume that they can handle difficult situations flawlessly (Judge and Bano, 2001), they can complete their job (Chen et al., 2001). Thus, this research will be factored into the equation the detrimental influence of GSE. In the social learning theory of Bandura (1997), it is stated that people can understand annotations. The behavior of workers is formed with their association towards their leader who is the cause of situational impact (Lord et al., 2001). Employees who have lesser GSE seem to

be more vulnerable to adverse effects because they lack self-belief about their suitable attitude (Saks & Asforth, 2000).

According to previous studies, people with lower GSE have more elastic properties in their response to environmental interference affecting commitment and productivity (Eden & Zuk, 1995). As per Pierce et al., (1993), employees who have a higher level of GSE are confident and can handle pressures well. The “normatively appropriate” activities of ethical leaders indicate their forthrightness and being reasonable while interacting with employees (Piccolo et al., 2010). The workers who have a greater degree of GSE operate worse than the workers having a lower degree of GSE due to such interactional component. Relying on the previous studies, this study will conclude that the effect of ethical leaders reduces the engagement of employees when employees have greater GSE. The study recommended the hypothesis:

*H3: GSE moderates the relationship between EL and EE such that the relationship will be weaker for employees with high GSE than employees with low GSE.*

### Theoretical Framework

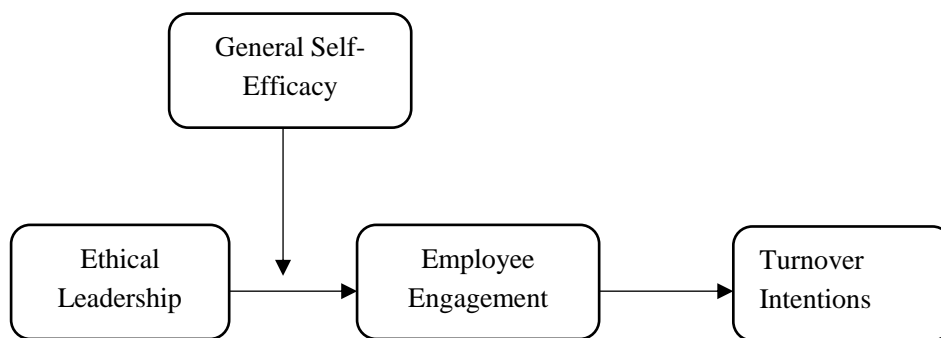


Figure: 2.1

## CHAPTER: 3

### METHODOLOGY

The approach used for the data collection was quantitative. The data was collected through an online Google form. Keeping in mind the present situation regarding covid'19, many of the employees were still doing work from home, so it was difficult to get responses from employees manually. Still, the researcher managed to visit a software company in person and acquire data from resources with their permission. The software company situated in Islamabad's Industrial Area. The study's researcher went there and informed the operational manager about the goal of the research since he was quite accommodating and enabled to get information from their staff. Their operational manager shared the questionnaire link with them via Teams, and within an hour, about 90 responses had been received.

The data was collected by using the cross-sectional technique. The 400 questionnaires were randomly sent to employees based on a previous study (Ilyas et al., 2020). A total of 321 questionnaires was filled from them. The questionnaires were distributed among the employees of Software technology Park of Islamabad, Pakistan. The questionnaires were filled based on employees' convenience and distributed among them via E-mail and LinkedIn.

#### **Philosophy**

The two most often utilised research paradigms, according to Collis and Hussey (2003), are quantitative (also known as positivist) and qualitative (also known as constructivist, phenomenological, or interpretivist). Positive and normative terms are frequently used to describe the quantitative research paradigm. The positivist paradigm has governed this investigation, and the function was restricted to data gathering and objective interpretation. Minimal interaction was maintained with the research participants while carrying out the research which means that the researcher is an independent of research.

## **Study Settings**

Research that is directed in artificial settings with significant researcher intervention is referred to as being carried out in contrived settings. Despite this, the research in issue is being conducted in a normal or natural context, and the researcher's level of involvement is also deemed to be modest, therefore it is seen to be done in an uncontrived environment. The present study made advantage of natural settings that ensured the researcher's minimal interference in the participants' daily life. The best research setting for correlational investigations is one that is not established intentionally (Tan et al., 2011).

## **Type of Research**

Quantitative approach was used for the data collection. A questionnaire was used for the accurate data collection as an online Google form. The questionnaire consists of 32 items and is in simple English.

## **Population**

The population of the study is the white-collar employees of IT sector of Pakistan specifically Software Technology Park, Islamabad.

## **Sampling Technique**

The convenience sampling has been used for the collection of data.

## **Sample Size**

The 400 questionnaires were sent to white collar employees based on a previous study (Ilyas et al., 2020).

## **Unit of Analysis**

The primary unit under examination is the individual. They were the ones who provided the data, which was then analysed from their point of view.

## **Measures**

**EL:** For EL measurement, a ten-item scale of Brown et al., (2005) was used. The sample of items used: “My manager disciplines employees who violate ethical standards”, “My manager makes fair and balanced decisions”, and “My manager can be trusted”.

**EE:** For the measurement of EE, a nine-item scale of Schaufeli et al., (2006) was used. The sample of items used: “At work, I feel bursting with energy,” “When I get up in the morning, I feel like going to work,” and “I am immersed in my work” etc.

**TI:** For the measurement of TI, a five-item scale was adapted from Cammann et al., (1979), Mathieu and Zajac, (1990), Seashore et al., (1982), and Camp (1994). The sample of items used: “I am seriously considering leaving my current job to work at another company”, I sometimes feel compelled to quit my job in my current workplace”, and “I will probably look for a new job in the next year”.

**GSE:** For the measurement of GSE an eight-item scale of Chen et al., (2001) was used. The sample of items used: “I will be able to achieve most of the goals that I have set for myself”, When facing difficult tasks, I am certain that I will accomplish it”, and “In general, I think that I can obtain outcomes that are important to me”.

## **Instrument**

The developed hypotheses helped in the proceeding of the questionnaire. The questionnaire consists of 32 items. The five-point Likert scale was used in the questionnaire to measure the items (1. Strongly disagree to 5. Strongly agree).

## **Procedure**

The data was collected from the white-collar employees of IT sector of Pakistan specifically Software Technology Park. The questionnaires were distributed among the employees of

different IT companies of Software Technology Park Islamabad, Pakistan. The questionnaires were filled based on employees' convenience and distributed among them via E-mail and LinkedIn. Additionally, the researcher went to a software company in person and acquire data from resources with their permission. The software company situated in Islamabad's Industrial Area. The study's researcher went there and informed the operational manager about the goal of the research since he was quite accommodating and enabled to get information from their staff. Their operational manager shared the questionnaire link with them via Teams, and within an hour, about 90 responses had been received.

## CHAPTER: 4

### DATA ANALYTICAL STRATEGY

Data is analysed by using “Analysis of Moment Structures (AMOS-22)” and “Statistical Package for the Social Sciences (SPSS-22)”. The data is analysed in 2 stages. In the first stage, preliminary analysis and descriptive analysis were performed. In the second stage, the measurement model was analysed and hypotheses were tested using SEM.

#### **Preliminary Analysis**

Researchers have performed preliminary analysis for the factor that can potentially impact the results, such factors are missing values, data normality, outliers, and multicollinearity. Data was found free from missing values and the reason for such result is that data was collected through Google forms so it was conditionalized to answer all the questions (Islam et al., 2020). Skewness and kurtosis tests were used to determine if the data were normally distributed. The findings showed that the data were normally distributed since the values of skewness (1) and kurtosis (3) were within an acceptable range. Outliers were determined through Amos (V-22), by performing Mahalanobis distance statistic test using the criteria of Kline (2016), which is  $p < .001$ . Under this criteria, 6 outliers were identified and deleted from the data set, the rest of the analysis was performed with 315 responses. Lastly, under Tabachnick and Fidell's (2007) criteria of multicollinearity, all the values of correlation were less than 0.85 except the value for correlation between employee engagement and ethical leadership which was 0.88. So, four conditional method was used to examine the multicollinearity. It was examined on SPSS (V-22), and by considering criteria of Ringle et al. (2015), according to which tolerance must be more than 2, “Variance Inflation Factor (VIF)” should be less than 5, the Eigenvalue must not be near to 0 and the Condition Index Value should be less than 15. Considering all the conditions, the data was found free from multicollinearity issues.



## Descriptive Analysis

The descriptive analysis entails the result of correlation, means, and standard deviation (see Table 1). All the mean values of variables are close to agree, except for the value of turnover intention which was near to disagree. Furthermore, the results of correlation show the positive association of ethical leadership with employee engagement ( $r = 0.88, p \leq 0.001$ ), and general self-efficacy ( $r = 0.48, p \leq 0.001$ ). but negative association with turnover intentions ( $r = -0.46, p \leq 0.001$ ). employee engagement was found to be positively correlated with general self-efficacy ( $r = 0.49, p \leq 0.001$ ) and negatively correlated with turnover intentions ( $r = -0.78, p \leq 0.001$ ). However, general self-efficacy and turnover intentions were negatively correlated ( $r = -0.46, p \leq 0.001$ ).

**Table 4.1** Correlation, Descriptive Statistics and Reliability

Variables	1	2	3	4	Mean	SD
1. Turnover Intentions	0.89				2.41	0.79
2. Ethical Leadership	-0.83*	0.92			3.69	0.61
3. Employee Engagement	-0.78*	0.88*	0.91		3.56	0.61
4. General Self-Efficacy	-0.46*	0.48*	0.49*	0.72	3.71	0.52

Note(s): \* $p < 0.001$ ; Reliability = diagonal position

## Hypotheses Testing

Anderson and Gerbing's (1988) technique of testing hypotheses is considered by the researchers for the current study. Under this technique, hypotheses are analyzed in a 2-step process by using "Structural Equation Modeling (SEM)" in Amos. At first, confirmatory factor analysis (CFA) was run as all the scales are adapted from previous studies so the fitness of the model is measured. Williams et al.'s (2009) criteria (" $\chi^2 / df < 3.0$ , comparative fit index (CFI)  $\geq 0.90$ , goodness-of-fit index (GFI)  $\geq 0.90$ , adjusted goodness of fit index (AGFI  $\geq 0.90$ ), standardized root mean residual (SRMR)  $\leq 0.08$  and root mean square error of approximation (RMSEA)  $\leq 0.08$ ") is considered and model is indicated fit because values met the criteria as " $\chi^2 / df = 1.75$ , CFI = 0.95, GFI = 0.90, AGFI = 0.90, SRMR = 0.02 and RMSEA = 0.05." Moreover, the appendix shows the factor loading, and average variance extracted (AVE), and composite reliability (CR). Considering the criteria of Hair et al. (2010), factor loading must be more than or equal to 0.50, AVE must be greater than or equal to 0.50, and CR should be greater than and equal to 0.60. The factor loading of all values is more than 0.50 except for 4 items of general self-efficacy which were deleted. The values of AVE are between 0.40 to 0.61, as the general self-efficacy's value is below the criteria and values of CR are between 0.72 to 0.92 (see appendix).

Second, the hypotheses of the current study were tested. To examine the model, researchers generated 5000 bootstrap samples at a confidence interval of 95%. So, the results of path coefficient show that ethical leadership and turnover intention have a negative significant relationship ( $\beta = -0.64$ ,  $p \leq 0.00$ , UL = -0.50, LL = -0.78), so results supported Hypothesis 1. Moreover, employee engagement is positively and significantly related to ethical leadership ( $\beta = 1.21$ ,  $p \leq 0.00$ , UL = -1.52, LL = -0.89), and general self-efficacy ( $\beta = 0.33$ ,  $p \leq 0.00$ , UL = 0.57, LL = 0.12), but negative significant relationship was found between employee engagement and turnover intentions ( $\beta = -0.21$ ,  $p \leq 0.00$ , UL = -0.07, LL = -0.36). Furthermore,

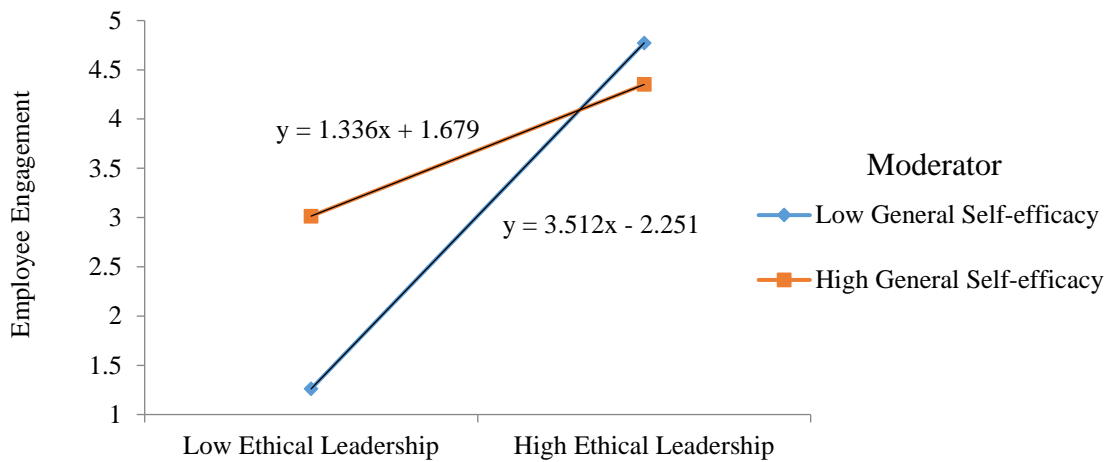
results showed significant indirect effect of employee engagement in the association between ethical leadership and turnover intentions ( $\beta = -0.26, p \leq 0.00, UL = -0.08, LL = -0.48$ ), so Hypothesis 2 is supported. In the presence of mediation, the direct relationship is also significant which indicates partial mediation of employee engagement in the association between ethical leadership and turnover intentions. To test the moderation effect of general self-efficacy, the interaction term (ELxGSE) is generated, and results show that the relationship between ethical leadership and employee engagement weakens by general self-efficacy ( $\beta = -0.54, p \leq 0.01, UL = -0.07, LL = -1.00$ ).

**Table 4.2** SEM results for hypothesis testing

Hypotheses	$\beta$	t-value	SE	p	Bootstrap at 95%	
					UL	LL
EL → EE	1.21	7.63	0.16	**	1.52	0.89
GSE → EE	0.33	3.04	0.13	**	0.57	0.12
EL → TI	-0.64	-9.95	0.08	**	-0.50	-0.78
EE → TI	-0.21	-3.29	0.08	**	-0.07	-0.36
Mediating effect of EE						
EL → EE → TI						
Direct effect	-0.64	-9.95	0.08	**	-0.50	-0.78
Indirect effect	-0.26		0.10	**	-0.08	-0.48
Moderating effect of GSE						
DV: EE						
EL	1.21	7.63	0.16	**	1.52	0.89
GSE	0.33	3.04	0.13	**	0.57	0.12
ELxGSE	-0.54	-2.39	0.04	**	-0.07	-1.00
R <sup>2</sup>	0.70					
Note(s): **p < 0.05, EL = Ethical Leadership, TI = Turnover Intentions, EE = Employee Engagement, GSE = General Self-Efficacy, UL = Upper Limit, LL = Lower Limit						

Figure 2 shows the slope of moderation which is drawn from the two-way interaction plotting procedure (Aiken & West, 1991), explains that the relationship between ethical leadership and employee engagement will be weak for employees with high general self-efficacy than for employees with low general self-efficacy, which is aligned with the study's hypothesis, hence

Hypothesis 3 is supported. The value of R-square is 0.70, which demonstrates that independent variables account for 70% of the variance in the dependent variable.



**Figure 4.2 Slope for moderation**

## Discussion

In this competitive and fast-growing working environment, the human element has become vital for the success of the organizations, so organizations must retain their employees at any cost (Ezaili Alias et al., 2018). According to Malik et al. (2017), leadership can influence the behaviour of employees in the workplace. So, this study has attempted to examine the impact of ethical leadership on turnover intention through employee engagement and how people with high and low general self-efficacy react to ethical leadership styles to be engaged in their work. All the hypotheses of the study were supported.

The first hypothesis of the study is about the negative association between ethical leadership and turnover intentions and the results supported the hypothesis. The outcomes of the study are aligned with Deconick (2014) study, which means in the presence of ethical leaders, the employee will encounter fewer negative thoughts and the intentions of employees to leave the job will be reduced, which will be fruitful for the organizational profits and success.

The current study introduced employee engagement as a mediator between ethical leadership and turnover intentions by realizing its need and importance to reduce negative intentions of the employee. The second hypothesis of the study is about the mediation effect of employee engagement between the association of ethical leadership and turnover intentions, and the results support the hypothesis. A leader is an individual who can shape the behavior of the employee and can achieve the desired employee outcomes (Palanski et al., 2014). When an employee sees a fair, responsible, caring, and trustworthy leader they want to stay with the organization by being engaged which ultimately result in the reduction of employee turnover intentions.

The relationship between ethical leadership and employee engagement is moderated by general self-efficacy. The study's findings support the hypothesis by demonstrating how general self-efficacy reduces the link between ethical leadership and employee engagement. Furthermore, we discovered through the slope of moderation that people with high self-efficacy have confidence in themselves (Pierce et al., 1993). They do not require leaders to encourage them since they think they can perform and participate in their tasks on their own. In contrast, a worker with poor self-efficacy heavily relies on external factors to excite them in their work.

When employees are treated fairly and respectfully, they trust the leader and put all of their cognitive, physical, and emotional efforts to perform their jobs which indicates that the employees are engaged in the jobs. When employees work with dedication, commitment, enthusiasm, energy, and focus then they develop positive thoughts about the organization, as a result of which turnover intentions of employees will be reduced. Personality traits can have a significant impact on the employee tenure in the organizations, so employees who have strong general self-efficacy will thus be less likely to want ethical leaders to help them since they feel they can be involved in their work independently compared to those who have poor general self-efficacy.

## **Theoretical Implications**

The current study will contribute to the existing literature in many ways. First, this study has taken general self-efficacy as a moderator between ethical leadership and employee engagement which provides a new direction to the existing studies that in the presence of general self-efficacy the impact of ethical leader on the enhancement employee engagement will be reduced so this will add to the literature of general self-efficacy. Second, it will add to the literature of employee engagement as a mediation mechanism between ethical leadership and turnover intentions, which is unique relation that explains that if there are ethical leaders then the employee will be engaged in their jobs, and turnover intentions will be reduced. Third, the data is collected from the technology sector, i.e., the IT sector. The data in this context is usually collected from SMEs so it will add a new thing to the existing literature by providing insight into the management of turnover intention through ethical leadership. Lastly, the overall findings of the study will contribute significantly to the existing literature.

## **Practical Implications**

The current study also has some considerable practical implications for HR manages, emerging leaders, policymakers, and practitioners. As shown by the results of the current study, ethical leaders can gain the trust of employees towards the organization. So, the HR managers can hire ethical leaders or they can train the existing leaders and employees can develop the characteristics of ethical leaders so that favourable employee outcomes can be achieved for the organization, hence reduction in the turnover intentions of employees and enhancement in the engagement. For this purpose, the HR managers can perform structured interviews, personality tests (written, observed or verbal), and the interesting test of graphology. Leaders of different sectors can get benefits from the results of this study if they are facing the issue of employee turnover. They can develop this leadership style and observe the changes. The policymakers

can make policies by identifying the personality of their employees. If employees are highly self-efficient then policies will be different from the employees with low self-efficacy. Moreover, at the time of recruitment for any post in the organization, a leader can recruit an individual who has personality traits aligned with the culture of the organization.

### **Limitations and Future Directions**

Despite the number of theoretical and practical implications, the study is not free from limitations. First, the data is collected from the IT sector which means results cannot be extensively generalized to the other sectors. So, future researchers can target other sectors, like the manufacturing sector to get diversified results. Moreover, it is a cross-sectional study, the data was only gathered at one point in time, which has an influence on how variables are explained causally. Future research can collect data in lags or perform a longitudinal study. The current study has used convenience sampling due to shortage of time so the accurate representation of the population can be problematic, so future researchers can use other sampling techniques. Lastly, this study has used some limited variables according to the suitability and relevance, the future studies can use other variables like power distance orientation can be used as a moderator to know its impact on ethical leaders.



## CONCLUSION

The current study examines the impact of ethical leadership on turnover intention through employee engagement and how employees with low or high general self-efficacy respond to ethical leadership to keep themselves engaged. The data has been collected from employees working in the IT sector of Pakistan specifically the Software Technology Park of Islamabad and it has been analysed by using SPSS and AMOS (version-22). The results of SEM suggested that ethical leaders can reduce the turnover intentions of employees by increasing their engagement level. Furthermore, high general self-efficacy workers are less likely to respond to ethical leaders as compared to employees with low general self-efficacy, because they believe that they do not need any support and have all the required abilities to be engaged in the job. Future researchers, HR managers, policymakers, aspiring leaders, and other practitioners can take useful insight from the results of this study.

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## APPENDIX

By keeping the software company in view, please mark your answer on the scale of 1-5.

1. Strongly agree 2. Agree 3. Neutral 4. Disagree 5. Strongly disagree

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### Variables

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#### Turnover Intentions

I am seriously considering leaving my current job to work at another company

I sometimes feel compelled to quit my job in my current workplace

I will probably look for a new job in the next year

Within the next 6 months, I would rate the likelihood of leaving my present job as high

I will quit this company if the given condition gets even a little worse than now

#### Ethical Leadership

My manager...

conducts their personal life in an ethical manner

defines success not just by results but also, the way that they are obtained

listens to what employees have to say

disciplines employees who violate ethical standards

makes fair and balanced decisions

can be trusted

discusses business ethics or values with employees

sets an example of how to do things the right way in terms of ethics

has the best interests of employees in mind

When making decisions, my manager asks what the right thing is to do

#### Employee Engagement

At my work, I feel bursting with energy

At my job, I feel strong and vigorous

When I get up in the morning, I feel like going to work

I am enthusiastic about my job

My job inspires me

I am proud of the work that I do

I feel happy when I am working intensely

I am immersed in my work

I get carried away when I am working

#### General Self-Efficacy

I will be able to achieve most of the goals that I have set for myself

When facing difficult tasks, I am certain that I will accomplish them

In general, I think that I can obtain outcomes that are important to me

I believe I can succeed at most any endeavour to which I set my mind

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# Arike Shahbaz Thesis MBA Fall 22

*by* Arika Shahbaz

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# INTRODUCTION

## 1.1 Introduction

The study's historical background is discussed in this chapter. It also outlines the core problem driving this research as well as its primary goals. It also includes the primary objectives and research questions for this research. The primary variables of this study are also briefly defined in the final chapter.

## 1.2 Background

Recent studies have emphasised <sup>1</sup> the importance of ethical leadership in terms of its favourable effects for followers., hence ensuring the long-term viability of organizations (Huang and Paterson, 2017; Byun et al., 2018;). In order to raise ethical standards at work, debate of leaders' actions and conduct has grown more pertinent in recent years. (Moor et al., 2019; Demirtas and Akdogan, 2015; Kuenzi <sup>1</sup> et al., 2019, 2020). Unfortunately, nuance study is conducted on contextual and unrelated phenomena that describe the conditions under which ethical leadership becomes successful. This concept is still in its early phases of empirical study. (Waldman et al., 2017). In today's fast-paced world, workplace ethics is critical for fostering a fair atmosphere (Walumbwa et al., 2017), minimizing <sup>1</sup> unethical pro- organizational behaviour (Zhang, 2018), organizational identity (Demirtas et al., 2017) and employees have faith in sustainable businesses (Guh et al., 2013; Tourigny et al., 2017). As a result, it's critical to identify the elements that influence ethical leadership in different ways.

According to previous research, improving employee engagement (EE) can minimise turnover intention (TI) (Bailey et al., 2015). With the shift in leadership's focus on employee engagement

in long-term businesses, the focus of the organisation is evolving as well (Ilyas et al., 2020). It was also vital to understand how a leader's activities impact employee engagement with work and what mechanisms leaders might use to improve EE in long-term organisations (Carasco-Saul et al., 2015). To fully appreciate the primary cause of employee turnover, it is necessary to focus on leadership as the primary basis (Dupre & Day, 2007).

Researchers have focused their attention on ethical leadership (EL), emphasising its importance in promoting moral values among employees (Qing et al., 2019), as well as positive actions such as work engagement and job satisfaction, while bad workplace activities are discouraged with the goal of lowering turnover. As a result, there is a decreased rate of employee turnover, which might be an economic disadvantage for the company (Kaur et al., 2013). The purpose of this research is to inspect how to minimise an employee's TI and whether or not EL has any impact on decreasing TI. Negative "General Self-Efficacy (GSE)" as a feature with EL impacting TI has only been studied in a few cases.

Unlike other leadership approaches, ethical leaders infuse a sense of obligation in their staff in order to encourage them and equip them with resourcefulness. <sup>7</sup> Ethical leaders communicate openly and clearly about their responsibilities and expectations, which helps employees understand the organization's and society's expectations (Brown et al., 2005), and followers who are supervised by such leaders have a higher level of engagement and commitment with the organisation (Kalshoven et al., 2011). A commonly accepted code of ethics at work called ethical leadership pushes people to give their all with perseverance and enthusiasm (Piccolo et al., 2010). According to Brown et al. (2005), ethical leaders care about people, are fair in how they treat others, exhibit integrity, and encourage ethical behaviour among their followers.



### **1.3 Problem Statement**

Retaining employees has become a huge obstacle and business owners have to bear different expenses like hiring, screening, coaching, and performance appraisal, etc. because employees have become an incredibly valuable asset of the firm (Torlak et al., 2020). Owners must give a completely favorable workplace to their workers in the firm to maximize the value for money on their worker's behalf (Torlak et al., 2020). Loss of good personnel can harm the competitiveness of a firm by reducing confidence among the rest of the employees (Holtom & Burch, 2016). Despite such negative repercussions, the rate of voluntary turnover keeps increasing globally. According to the Gallup survey (2017), in Pakistan the average percentage of truly engaged employees is almost 15%. Research is focused on these obstacles and also how these issues can be overcome.

### **1.4 Research Gap**

Research conducted in November 2015 by the "US Bureau of Labor", 2.8M voluntary quits were recorded. According to these figures, Turnover Intentions (TI) is a worldwide issue that is quickly becoming a serious impediment to firms accomplishing their strategic goals.

To bridge these gaps, this research will establish a model which describes the mediated moderated relationship of TI & EL based on social exchange theory.

As per <sup>6</sup> social exchange theory (SET), "in reaction to positive initiating actions, targets will tend to reply in kind by engaging in more positive reciprocating responses" (Crppanzano et al., 2017). As a result of this approach, employees become highly committed towards the organization (Meyer et al., 2002), start believing (Konovsky & Pugh, 1994), and are reluctant to leave.

This study will contribute to research in different aspects: First, this type of research is not usually conducted in the IT sector, but in public and private SMEs. So, the data will be collected from the IT sector. Secondly, in this type of study, researchers usually examine self-efficacy, a few of the researches have been done on GSE. So, this study will investigate GSE; a trait, as a moderator. Comprehensively this study will contribute to our knowledge by examining how much EL influences TI.

### **1.5 Research Objectives**

To cope up with the shortcomings of previous studies, there are three main objectives of this research paper:

- 1) To examine the relationship between EL and TI.
- 2) To examine the role of EE as a mediator between the association of EL and TI.
- 3) To examine the influence of GSE on the relationship of EL and TI.

### **1.6 Research Questions**

- 1) Does EL and TI has any relationship in the IT sector of Pakistan?
- 2) Can EE act as a mediator between the association of EL and TI?
- 3) Does GSE has any influence on the relationship between EL and TI?

### **1.7 Significance**

This study provides a novel insight into the relationship between ethical leadership and turnover intentions through employee engagement. This study is the first one to explain the moderating impact of general self-efficacy in the relationship between ethical leadership and employee engagement. Leaders of different sectors are able to get benefits from the results of this study if they are facing the issue of employee turnover. They can develop new leadership style and observe the changes. The policymakers can make policies by identifying the personality of their employees.

If employees are highly self-efficient then policies will be different from the employees with low self-efficacy. Moreover, at the time of recruitment for any post in the organization, a leader can recruit an individual who has personality traits aligned with the culture of the organization.

## **1.8 Definitions of Variables**

### **1.8.1 Ethical Leadership**

According to Brown and Trevio (2006), ethical leadership is the demonstration of ethical behaviours and ethical management techniques inside a company.

### **1.8.2 Turnover Intentions**

Employee willingness to quit an organization and transfer to another organisation is referred to as turnover.

### **1.8.3 Employee Engagement**

The definition of employee engegemet is the simultaneous application of physical, cognitive, and emotional energy to one's professional duties (Kahn, 1990; Rich et al., 2010).

### **1.8.4 General Self-Efficacy**

The description offered by Bandura (1977), “the belief in one’s capabilities to organize and execute the courses of action required to manage prospective situations.” is reflected in general self-efficacy beliefs.

## Chapter: 2

### LITERATURE REVIEW

#### **Ethical Leadership (EL)**

In contrast to some other leadership styles, EL instils work ethics in their employees in order to motivate and empower them to be creative (Ilyas et al., 2020). Ethical leaders communicate honestly and clearly about their obligations and tasks, which helps workers comprehend a firm's expectations and social conditioning (Brown et al., 2005), and ethical leaders' disciples may have a higher level of dedication and involvement towards the firm (Kalshoven et al., 2011). EL is a widely accepted norm of professional behaviour, as a result of which employees are more motivated to give their best effort (Piccolo et al., 2010). Ethical leaders are concerned about their employees, are fair in their dealings, demonstrate honesty, and encourage moral behaviour among their followers (Brown et al., 2005).

Other leadership styles, such as transformative leadership and authentic leadership, have been compared to the EL style and found to be conceptually equivalent (Avolia & Gardner, 2005). Transformative leadership leaders, according to Bass (1985), can act morally or immorally. Transformative leaders may act immorally if their beliefs are incapable of advising on moral activities (Price, 2003) or if they have egocentric ambitions. (Bass, 1985). Brown et al. (2005) reported that ethical leaders can split into two dimensions: "ethical person" and "ethical manager". When it comes to ethical persona, EL has a lot in common with both transformative and authentic styles of leadership. When it comes to ethical management, ethical leaders actively convey ethical codes by attaching rewards and penalties for moral and immoral behaviors of workers (Ilyas et al., 2020). By displaying the "transactional element", ethical leaders set themselves apart from all

other styles of leadership (Trevino et al., 2003). Additionally, EL seems to be connected to but different from other theoretical approaches (Brown & Trevino, 2006). Furthermore, compared with other styles of leadership, EL predicts more variation in the predicted variable (Ilyas et al., 2020).

<sup>2</sup> "The demonstration of normatively proper conduct through one's own acts and interpersonal interactions, and the encouragement of such conduct to followers through two-way communication, reinforcement, and decision-making" are the definitions of ethical leadership (Brown et al., 2005, p. 120). According to Brown et al. (2005), ethical leaders should employ rewards and fair and balanced punishment to hold followers accountable for their ethical behaviour. They should also enlighten people about the advantages of acting ethically and the costs of acting inappropriately. The term "ethical leadership" refers to <sup>2</sup> the moral dimension of leadership styles, such as "authentic leadership," "servant leadership," or "value-based leadership," in the leadership literature (Ahmad et al., 2018).

Morality is incorporated into decision-making by ethical leaders, who also consider the moral implications of their actions and make an effort to make just judgments. Additionally, for this reason, a moral <sup>2</sup> leader is a "effective leader" (Ciulla, 1995). Ethical leaders encourage positive behaviours <sup>2</sup> among employees, foster high levels of pride and commitment to the organisation, as well as affect how employees view the work environment by focusing on <sup>2</sup> fair treatment, shared values, and integrity in common personnel and business transactions (Piccolo, et al., 2010). Additionally, as they are regarded as dependable, honest, and credible, ethical leaders are a particularly significant source for observation and emulation (Miao et al., 2020). As a result, leaders who act ethically are believable and valid role models (Zhao et al., 2020).

### **Turnover Intention (TI)**

In the previous studies, the term “TI” has already been used correspondently with various phrases like “propensity to leave”, “intend to leave”, and “intention to quilt” (Yasin, 2021). The cognitive desire of an employee to leave his/her firm is referred to as TI in this research. The term turnover is described as “the voluntary or involuntary permanent withdrawal from an organization” (Robbins & Judge, 2007). The aforementioned is concerned with the worker's own choice to depart, whereas, the last-mentioned is concerned with the choice of firm to dismiss the workers (Price & Mueller, 1981). The cost of replacing the workers is sometimes very high (Hinkin and Tracey, 2000), turnover might be detrimental to the effectiveness of the firm (Glebbeck & Bax, 2004).

Employee departure from a firm is known as turnover, but employee intention to quit their current employer is known as turnover intent (Siddiqui & Jamil, 2015). Employee turnover intention and actual turnover are influenced by a variety of factors. Similar to this, the possibility that a worker would quit their job in a particular amount of time, leading to turnover, is known as turnover intention (Kaur, Mohindru, & Pankaj., 2013).

As it is hard to analyse real TI's, So, Lingard (2003) claims that intention to depart is a stable and consistent determinant of subsequent turnover. Low Job satisfaction caused by issues associated with recruiter, advancement, a chance for growth, and restructuring of the firm; pressure associated with work, job involvement, procedural support; and socio-demographic characteristics are all the factors that influence discretionary TI (Khatri et al., 2001; Randhawa, 2007). According to Ahmed

et al. (2012), workers who are stressed at work are more likely to leave the company. The workers who are under any psychological stress must deal with a variety of personal, relational, and organizational demands which can harm the person him/herself and the efficiency of the organization, their ambition, and wellbeing (Ilyas et al., 2020). Negative turnover effects have been documented in previous studies (Kwak & Choi, 2015). Retention of workers has an impact on the sustainability, efficiency, and fiscal performance of an organization (Tse et al., 2013). Turnover of employees has an impact on a company's ability to survive and prosper (Martins & Meyer, 2012). It creates financial liability for a firm (Massingham, 2018), which results in loss of knowledge acquisition (Massingham, 2018). This loss can have a detrimental effect on the profitability and intangible assets of a firm (Schiuma et al., 2012).

Employee turnover intention is the employee's ability to quit work which may be due to voluntary and involuntary discrimination, in addition to dysfunction in the job that led to departing work, and that each type of employee turnover has a different and distinct impact on the company (Long et al., 2012). People and employees are an organization's and company's most important assets. There are variety of causes for a high turnover rate including personal, environmental, and even company related factors. The causes that force employees to leave the company can be divided into 2 groups: push factors and pull factors (Chiat & Panatik, 2019).

The penultimate stage before employees decide to leave is related to turnover intention, which is a significant <sup>2</sup> predictor of actual turnover (Griffeth et al., 2000). (Zhao and Li, 2012). In a nutshell, <sup>2</sup> "an individual's purposeful decision to leave their job in search of a new one" is referred to as "employee turnover intention" <sup>2</sup> (Wang and Yang, 2016, p. 5). According to Shareef and Atan (2019), <sup>2</sup> it has been described as a process made up of stages of psychological, cognitive, and behavioural elements that leads to <sup>2</sup> actual turnover (Lin and Liu, 2017). According to Demirtas and

Akdogan (2015), the variables that affect employee turnover can be divided into three categories: external factors (such as unemployment rates), organizational factors (such as leadership style), and individual factors (i.e. dissatisfaction of the work).

### **Employee Engagement (EE)**

EE is defined as <sup>3</sup> “a positive, fulfilling, work-related state of mind that is characterized by vigor, dedication, and absorption” (Schaufeli et al., 2002, p. 74). Vigor is defined as “high levels of energy and mental resilience while working, the willingness to invest effort in one’s work, and persistence even in the face of difficulties” (Schaufeli et al., 2002, p. 74). Dedication is defined as “a sense of significance, enthusiasm, inspiration, pride, and challenge” (Schaufeli et al., 2002, p. 74). Absorption can be defined as “being fully concentrated and deeply engrossed in one’s work, whereby time passes quickly and one has difficulties with detaching oneself from work” (Schaufeli et al., 2002, p. 75). Employees that are engaged are excited, show a high degree of vigor in pursuing the professional ambitions they have and like what they do (Schaufeli et al., 2014). Such pleasures lead to productive behaviors. EE ultimately contributes to positive actions and outcomes (Bechtoldt et al., 2011; Hsieh & Wang, 2015).

Employee Engagement has been a popular topic in business. It is a buzzword that employers believe they understand but encounter difficulties and challenges when putting into practice. Many organizations try to copy the employee engagement activities but this is not possible. Organizations should properly implement the employee engagement activities in order to yield maximum benefits. Work engagement has been acknowledged as being crucial in assisting employees in becoming more deeply engaged with their work and reducing the impact of job burnout. Engaged employees are more likely to perform better as compared to less engaged employees. (Inceoglu & Fleck, 2010).



Employee Engagement is a workplace approach that assures individuals are committed to goals and values of their organization, motivated to contribute to organizational success, and capable of improving their personal sense of well-being (Alfes et al., 2013). Engagement was defined as a good attitude toward one's employment, distinct from both job satisfaction and dedication. When employees are engaged, they use and combine many aspects of their emotional and cognitive identities to transform work duties and specialized activities into meaningful accomplishments (Byrne, 2015). The dedication of one's physical, cognitive and emotional energies to one's work (Kahn, 1990). Individual involvement, contentment, and passion are all related to engagement (Harter, Schmidt, & Hayes, 2002).

Job tiredness <sup>5</sup> is the polar opposite of employee engagement. Employee engagement may be a state that develops from social interactions at work and leads to improved organisational performance. When a worker finds significance in his work, corporate culture, and policies, he performs better. Self-association with job roles, which includes <sup>8</sup> continued attendance at work, intense involvement there, and increased involvement in work-related activities, is another factor that contributes to employee involvement (Srivastava & Madan, 2016). <sup>8</sup> The idea that individual attitudes and behaviours, and consequently levels of engagement and disengagement from work, are encouraged by the psychological experience of the workforce lends support to this. According to Margaretha et al. (2021), psychological meaning is a key factor in determining how engaged employees are at work. According to this "individual goals and focused energy, adaptability, effects, and persistence directed toward organizational <sup>5</sup> goals" are the major factors influencing overall employee engagement (Albrech, 2011). Engagement is a quality that almost all businesses have measured throughout the years. It goes above and beyond fundamental gratification with a utilisation arrangement or basic devotion to the employer.

### **General Self-Efficacy (GSE)**

When it comes to turning external factors into personal actions, self-efficacy is critical (Bandura, 1986). It represents the perceptions of individuals about their capacity to gather energy, mental abilities, and behaviors to effectively complete the job (Stajkovic & Luthans, 1998). On the other hand, Bandura (2012) criticized the fact about research on self-efficacy that it has been hampered by an endeavor conception and so urged greater investigation about “generalized self-efficacy” above situational bounds. Consequently, the term “GSE” was coined, which refers to the overall confidence of individuals in their abilities to achieve their goals (Bandura, 2006). GSE can also be described as a general self-assessment subject to contextual cues, instead of being a constant attribute (Tierney & Farmer, 2011). GSE evokes the individual differences about their ability to recognize their capacities of fulfilling the requirements related to working in a wide range of environments (Chen et al., 2001).

The phrase "the power of I can" is used to describe self-efficacy (Hefferon & Boniwell, 2011: 104) According to research, people with a high degree of self-efficacy value their abilities to overcome problems and barriers more than people with a low level of self-efficacy. A lack of self-efficacy results in people making less or no attempts to overcome difficulties (Cetin & Basim, 2014; Robbins et al., 2013). The views, motivation, and performance of an employee are influenced by their knowledge of their own capabilities and competence (Tschannen-Moran & Woolfolk Hoy, 2001; Tschannen-Moran, Woolfolk Hoy, & Hoy, 1998; Woolfolk & Hoy, 1990). Employees won't attempt to accomplish a task if they lose hope of success (Lunenburg & Ornstein, 2012). Self-efficacy beliefs influence the choices we make, the effort we put out, our degree of drive, how we feel about ourselves or others, the responsibility we carry out, and how long we persist when faced with challenges (Hefferon & Boniwell, 2011).

<sup>1</sup> Self-efficacy, according to Bandura (1977), has three components: <sup>1</sup> magnitude, strength, and generality. Magnitude and strength are task- and context-specific concepts (Pillai, Goldsmith & Giebelhausen, 2011). While the universality dimension of self-efficacy, according to Maurer and Pierce (1998), refers to how much self-efficacy is transferable to other contexts. According to Scholz, Doa, Sud, and Schwarzer (2002), <sup>1</sup> general self-efficacy focuses on a broader understanding of personal skills in handling a variety of stressful situations. Thus, general self-efficacy is the belief in one's ability to succeed in a wide range of tasks and circumstances (Schwarzer & Jerusalem, 1995). By altering the individual's expectations, general self-efficacy frequently affects the employee's behaviours in a variety of settings (Saks & Ashforth, 2000).

## Theory

This study will be based on social exchange theory (SET) which describes <sup>6</sup> that "in reaction to positive initiating actions, targets will tend to reply in kind by engaging in more positive reciprocating responses" (Cropanzano et al., 2017). <sup>4</sup> According to (Cropanzano & Mitchell, 2005), SET is one of the key theoretical frameworks to comprehend workplace behaviour. Its fundamental <sup>4</sup> tenet is that social associations advance due to shared responsibility, mutual trust, and commitment, and that employees form decisions about perceived costs and benefits based on these considerations. As a result, each party abides by <sup>4</sup> the rules of exchange. Employees feel compelled to the company when they believe the company is supporting them and when they strongly identify with the company, which increases <sup>4</sup> organisational commitment (Armeli et al., 1998). According to Saks (2006), SET is the most widely accepted theory because it provides a foundational hypothetical justification for the research of employee engagement by arguing that workers may <sup>4</sup> reciprocate the organization's support by being actively involved. Kahn (1990) placed special emphasis on the "social and financial exchange of resources." As a result of this approach,

employees become highly committed towards the organization (Meyer et al., 2002), start believing (Konovsky & Pugh, 1994), and are reluctant to leave.

### **Ethical Leadership (EL) and Turnover Intentions (TI)**

Leaders have been discovered to keep a significant effect on workers' perceptions and actions at the workplace (Palanski et al., 2014). Even though this resulted in the studies of various forms of leadership behavior, the research on EL earned popularity in recent years (Lin & Liu, 2017). Under the display of EL, workers are more likely to develop good ideas and employee outcomes, which in return reduce the probability of TI (Shafique et al., 2018). In reality, EL appears to be crucial not only for attracting excellent behavior of the employee, but it is also useful for minimizing and funneling unpleasant working behaviors of workers such as TI of employees (Lin & Liu, 2017). In previous literature, many scholars discussed the theory of social exchange (Karakus, 2018; Porter, 2018; Qureshi & Butt, 2020) which describes how employees perceive the actions of their leaders. The workers who see their supervisor as driven and helpful are more inclined to respond with good actions of embracing enthusiasm and dedication towards the aims of the company (Cropanzo et al., 2017). TI of the employee had a detrimental impact (Elci et al., 2012). The very same conclusion was reached by Deconick, 2014, who found the detrimental impact of EL on the TI of employees in literature.

After concluding the previous studies, the developed hypothesis is as follows:

*H1: EL is negatively associated with the TI of the employee.*

### **Mediation of Employee Engagement (EE)**

In many previous studies, EE has already been used as a mediator (Richardson et al., 2006; Balducci et al., 2010; Aggarwal et al., 2010; Biswas & Bhatnagar, 2011; Chughtai & Buckley,

2011). Engagement is associated with better well-being and advanced activities at the workplace (Schaufeli & Bakkar et al., 2004). It also provides rewarding pleasant job-related encounters and ways of thinking. The employees who have had pleasant encounters and feelings are more prone to have favorable job-related consequences, have a greater esteem for their organization, and are not inclined to quit the company voluntarily (Saks, 2006). TI is reduced when employees are engaged in their work (Albrecht et al., 2015; Juhdi et al., 2013). Work involvement contributes to emotionally satisfying job experiences, healthy life, and a psychological condition that is strongly linked with continuous work activities (Sonnetag, 2003). Satisfaction and greater sentiments boost the results related to work, enable workers to have a favorable perception of their firm which also strengthens the loyalty of workers towards their firm (Shuck et al., 2014).

Employees who are actively engaged are inclined to be “more satisfied with their jobs, feel more committed to the organization and do not intend to leave the organization” (Schaufeli & Salanove, 2008, p.388). In a study done on Dutch workers, it is stated that the more engaged workers had lower TI as compared to those who had a lower degree of engagement (Schaufeli & Bakkar, 2004). In a meta-analysis done by Bailey et al. (2015), they found that TI of employees is negatively associated with EE, giving affirmation of the possible link among these domains. The suggested hypothesis is as:

*H2: EE mediates the relationship between EL and TI.*

### **Moderation of General Self-Efficacy (GSE)**

GSE has been shown to impact the behavior of employees in a range of circumstances with the alteration of one's requirements (Saks & Asforth, 2000). Self-efficacy, according to Bandura (1977), has three components: magnitude, strength, and generality. According to Pillai et al. (2011), attitudes about magnitude and strength have been task- and situation-specific. While the

generality component of self-efficacy, as defined by Maurer and Pierce (1998), relates to how much self-efficacy is transferable to different contexts. The focus of general self-efficacy is on a broader understanding of one's own particular competencies in handling various stressful situations (Scholz et al., 2002). Thus, general self-efficacy is the belief in one's ability to succeed in a wide range of endeavours and circumstances (Schwarzer and Jerusalem, 1995).

GSE links with EL behavior (Ren & chadee, 2017), and is considered to be immune towards transitory impacts (Chen et al., 2001). Employees who have greater GSE presume that they can handle difficult situations flawlessly (Judge and Bano, 2001), they can complete their job (Chen et al., 2001). Thus, this research will be factored into the equation the detrimental influence of GSE. In the social learning theory of Bandura (1997), it is stated that people can understand annotations. The behavior of workers is formed with their association towards their leader who is the cause of situational impact (Lord et al., 2001). Employees who have lesser GSE seem to be more vulnerable to adverse effects because they lack self-belief about their suitable attitude (Saks & Asforth, 2000).

According to previous studies, people with lower GSE have more elastic properties in their response to environmental interference affecting commitment and productivity (Eden & Zuk, 1995). As per Pierce et al., (1993), employees who have a higher level of GSE are confident and can handle pressures well. The “normatively appropriate” activities of ethical leaders indicate their forthrightness and being reasonable while interacting with employees (Piccolo et al., 2010). The workers who have a greater degree of GSE operate worse than the workers having a lower degree of GSE due to such interactional component. Relying on the previous studies, this study will conclude that the effect of ethical leaders reduces the engagement of employees when employees have greater GSE. The study recommended the hypothesis:

*H3*: GSE moderates the relationship between EL and EE such that the relationship will be weaker for employees with high GSE than employees with low GSE.

**Theoretical Framework**

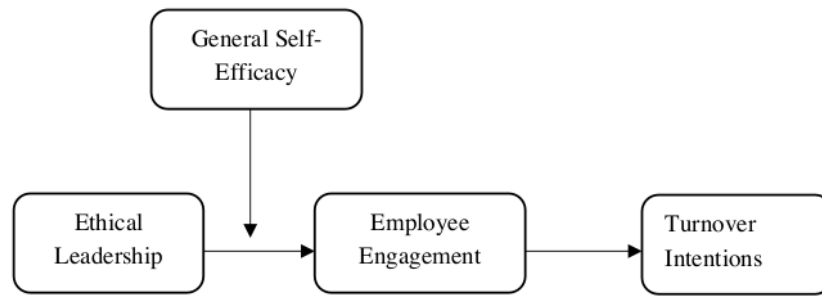


Figure: 2.1

## CHAPTER: 3

### METHODOLOGY

The approach used for the data collection was quantitative. The data was collected through an online Google form. Keeping in mind the present situation regarding covid'19, many of the employees were still doing work from home, so it was difficult to get responses from employees manually. The data was collected by using the cross-sectional technique. The 400 questionnaires were randomly sent to employees based on a previous study (Ilyas et al., 2020). A total of 321 questionnaires was filled from them. <sup>9</sup> The questionnaires were distributed among the employees of Software technology Park of Islamabad, Pakistan. The questionnaires were filled based on employees' convenience and distributed among them via E-mail and LinkedIn.

#### **Philosophy**

The two most often utilised research paradigms, according to Collis and Hussey (2003), are quantitative (also known as positivist) and qualitative (also known as constructivist, phenomenological, or interpretivist). Positive and normative terms are frequently used to describe the quantitative research paradigm. The positivist paradigm has governed this investigation, and the function was restricted to data gathering and objective interpretation. Minimal interaction was maintained with the research participants while carrying out the research which means that the researcher is an independent of research.

#### **Study Settings**

Research that is directed in artificial settings with significant researcher intervention is referred to as being carried out in contrived settings. Despite this, the research in issue is being conducted in a normal or natural context, and the researcher's level of involvement is also deemed to be modest,



therefore it is seen to be done in an uncontrived environment. The present study made advantage of natural settings that ensured the researcher's minimal interference in the participants' daily life. The best research setting for correlational investigations is one that is not established intentionally (Tan et al., 2011).

### **Type of Research**

Quantitative approach will be used for the data collection. A questionnaire will be used for the accurate data collection as an online Google form. The questionnaire consists of 32 items and is in simple English.

### **Population**

The population of the study is the white-collar <sup>9</sup> employees of IT sector of Pakistan.

### **Sampling Technique**

The convenience sampling has been used for the collection of data.

### **Sample Size**

The 400 questionnaires were sent to white collar employees based on a previous study (Ilyas et al., 2020).

### **Unit of Analysis**

The primary unit under examination is the individual. They were the ones who provided the data, which was then analysed from their point of view.

## Measures

**EL:** For EL measurement, a ten-item scale of Brown et al., (2005) was used. The sample of items used: “My manager disciplines employees who violate ethical standards”, “My manager makes fair and balanced decisions”, and “My manager can be trusted”.

**EE:** For the measurement of EE, a nine-item scale of Schaufeli et al., (2006) was used. The sample of items used: “At work, I feel bursting with energy,” “When I get up in the morning, I feel like going to work,” and “I am immersed in my work” etc.

**TI:** For the measurement of TI, a five-item scale was adapted from Cammann et al., (1979), Mathieu and Zajac, (1990), Seashore et al., (1982), and Camp (1994). The sample of items used: “I am seriously considering leaving my current job to work at another company”, I sometimes feel compelled to quit my job in my current workplace”, and “I will probably look for a new job in the next year”.

**GSE:** For the measurement of GSE an eight-item scale of Chen et al., (2001) was used. The sample of items used: “I will be able to achieve most of the goals that I have set for myself”, When facing difficult tasks, I am certain that I will accomplish it”, and “In general, I think that I can obtain outcomes that are important to me”.

## Instrument

The developed hypotheses helped in the proceeding of the questionnaire. The questionnaire consists of 32 items. The five-point Likert scale was used in the questionnaire to measure the items (1. Strongly disagree to 5. Strongly agree).

### **Procedure**

The data was collected from the white-collar employees of IT sector of Pakistan. The questionnaires were distributed among the employees of different IT companies of Software Technology Park Islamabad, Pakistan. The questionnaires were filled based on employees' convenience and distributed among them via E-mail and LinkedIn. Additionally, the researcher went to a software company in person and acquire data from resources with their permission. The software company situated in Islamabad's Industrial Area. The study's researcher went there and informed the operational manager about the goal of the research since he was quite accommodating and enabled to get information from their staff. Their operational manager shared the questionnaire link with them via Teams, and within an hour, about 90 responses had been received.

## **CHAPTER: 4**

### **DATA ANALYTICAL STRATEGY**

Data is analysed by using “Analysis of Moment Structures (AMOS-22)” and “Statistical Package for the Social Sciences (SPSS-22)”. The data is analysed in 2 stages. In the first stage, preliminary analysis and descriptive analysis were performed. In the second stage, the measurement model was analysed and hypotheses were tested using SEM.

#### **Preliminary Analysis**

Researchers have performed preliminary analysis for the factor that can potentially impact the results, such factors are missing values, data normality, outliers, and multicollinearity. Data was

found free from missing values and the reason for such result is that data was collected through Google forms so it was conditionalized to answer all the questions (Islam et al., 2020). Skewness and kurtosis tests were used to determine if the data were normally distributed. The findings showed that the data were normally distributed since the values of skewness (1) and kurtosis (3) were within an acceptable range. Outliers were determined through Amos (V-22), by performing Mahalanobis distance statistic test using the criteria of Kline (2016), which is  $p < .001$ . Under this criteria, 6 outliers were identified and deleted from the data set, the rest of the analysis was performed with 315 responses. Lastly, under Tabachnick and Fidell's (2007) criteria of multicollinearity, all the values of correlation were less than 0.85 except the value for correlation between employee engagement and ethical leadership which was 0.88. So, four conditional method was used to examine the multicollinearity. It was examined on SPSS (V-22), and by considering criteria of Ringle et al. (2015), according to which tolerance must be more than 2, "Variance Inflation Factor (VIF)" should be less than 5, the Eigenvalue must not be near to 0 and the Condition Index Value should be less than 15. Considering all the conditions, the data was found free from multicollinearity issues.

### **Descriptive Analysis**

The descriptive analysis entails the result of correlation, means, and standard deviation (see Table 1). All the mean values of variables are close to agree, except for the value of turnover intention which was near to disagree. Furthermore, the results of correlation show the positive association of ethical leadership with employee engagement ( $r = 0.88, p \leq 0.001$ ), and general self-efficacy ( $r = 0.48, p \leq 0.001$ ). but negative association with turnover intentions ( $r = -0.46, p \leq 0.001$ ). employee engagement was found to be positively correlated with general self-efficacy ( $r = 0.49,$

$p \leq 0.001$ ) and negatively correlated with turnover intentions ( $r = -0.78, p \leq 0.001$ ). However, general self-efficacy and turnover intentions were negatively correlated ( $r = -0.46, p \leq 0.001$ ).

**Table 4.1** Correlation, Descriptive Statistics and Reliability

Variables	1	2	3	4	Mean	SD
1. Turnover Intentions	0.89				2.41	0.79
2. Ethical Leadership	-0.83*	0.92			3.69	0.61
3. Employee Engagement	-0.78*	0.88*	0.91		3.56	0.61
4. General Self-Efficacy	-0.46*	0.48*	0.49*	0.72	3.71	0.52

Note(s): \* $p < 0.001$ ; Reliability = diagonal position

### Hypotheses Testing

Anderson and Gerbing's (1988) technique of testing hypotheses is considered by the researchers for the current study. Under this technique, hypotheses are analyzed in a 2-step process by using "Structural Equation Modeling (SEM)" in Amos. At first, confirmatory factor analysis (CFA) was run as all the scales are adapted from previous studies so the fineness of the model is measured. Williams et al.'s (2009) criteria (" $\chi^2 / df < 3.0$ , comparative fit index (CFI)  $\geq 0.90$ , goodness-of-fit

index (GFI)  $\geq 0.90$ , adjusted goodness of fit index (AGFI  $\geq 0.90$ ), standardized root mean residual (SRMR)  $\leq 0.08$  and root mean square error of approximation (RMSEA)  $\leq 0.08$ ) is considered and model is indicated fit because values met the criteria as “ $\chi^2/df = 1.75$ , CFI = 0.95, GFI = 0.90, AGFI = 0.90, SRMR = 0.02 and RMSEA = 0.05.” Moreover, the appendix shows the factor loading, and average variance extracted (AVE), and composite reliability (CR). Considering the criteria of Hair et al. (2010), factor loading must be more than or equal to 0.50, AVE must be greater than or equal to 0.50, and CR should be greater than and equal to 0.60. The factor loading of all values is more than 0.50 except for 4 items of general self-efficacy which were deleted. The values of AVE are between 0.40 to 0.61, as the general self-efficacy’s value is below the criteria and values of CR are between 0.72 to 0.92 (see appendix).

Second, the hypotheses of the current study were tested. To examine the model, researchers generated 5000 bootstrap samples at a confidence interval of 95%. So, the results of path coefficient show that ethical leadership and turnover intention have a negative significant relationship ( $\beta = -0.64, p \leq 0.00, UL = -0.50, LL = -0.78$ ), so results supported Hypothesis 1. Moreover, employee engagement is positively and significantly related to ethical leadership ( $\beta = 1.21, p \leq 0.00, UL = -1.52, LL = -0.89$ ), and general self-efficacy ( $\beta = 0.33, p \leq 0.00, UL = 0.57, LL = 0.12$ ), but negative significant relationship was found between employee engagement and turnover intentions ( $\beta = -0.21, p \leq 0.00, UL = -0.07, LL = -0.36$ ). Furthermore, results showed significant indirect effect of employee engagement in the association between ethical leadership and turnover intentions ( $\beta = -0.26, p \leq 0.00, UL = -0.08, LL = -0.48$ ), so Hypothesis 2 is supported. In the presence of mediation, the direct relationship is also significant which indicates partial mediation of employee engagement in the association between ethical leadership and turnover intentions. To test the moderation effect of general self-efficacy, the interaction term (ELxGSE) is

generated, and results show that the relationship between ethical leadership and employee engagement weakens by general self-efficacy ( $\beta = -0.54, p \leq 0.01, UL = -0.07, LL = -1.00$ ). Figure 2 shows the slope of moderation which is drawn from the two-way interaction

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**Table 4.2** SEM results for hypothesis testing

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**Bootstrap at 95%**

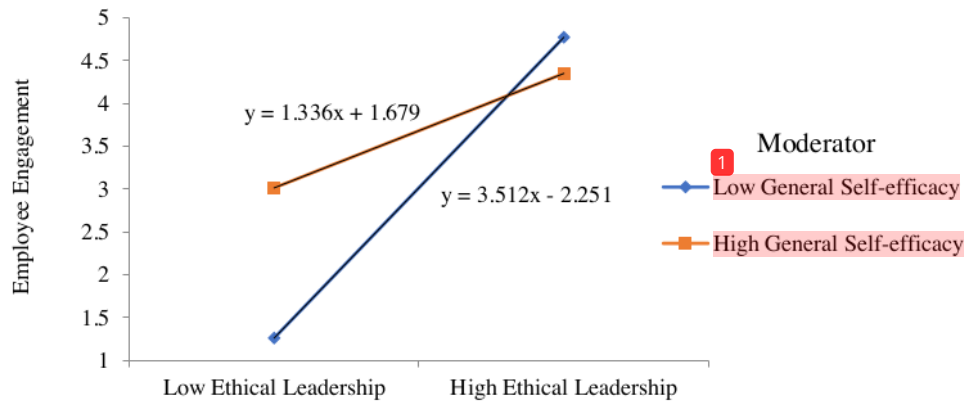
<b>Hypotheses</b>	<b><math>\beta</math></b>	<b>t-value</b>	<b>SE</b>	<b>p</b>	<b>UL</b>	<b>LL</b>
EL → EE	1.21	7.63	0.16	**	1.52	0.89
GSE → EE	0.33	3.04	0.13	**	0.57	0.12
EL → TI	-0.64	-9.95	0.08	**	-0.50	-0.78
EE → TI	-0.21	-3.29	0.08	**	-0.07	-0.36
Mediating effect of EE						
EL → EE → TI						
Direct effect	-0.64	-9.95	0.08	**	-0.50	-0.78
Indirect effect	-0.26		0.10	**	-0.08	-0.48
Moderating effect of GSE						
DV: EE						
EL	1.21	7.63	0.16	**	1.52	0.89
GSE	0.33	3.04	0.13	**	0.57	0.12
ELxGSE	-0.54	-2.39	0.04	**	-0.07	-1.00
R2	0.70					

Note(s): \*\*p < 0.05, EL = Ethical Leadership, TI = Turnover Intentions, EE = Employee Engagement, GSE = General Self-Efficacy, UL = Upper Limit, LL = Lower Limit

Figure 2 shows the slope of moderation which is drawn from the two-way interaction plotting procedure (Aiken & West, 1991), explains that the relationship between ethical leadership and employee engagement will be weak for employees with high general self-efficacy than for employees with low general self-efficacy, which is aligned with the study's hypothesis, hence



Hypothesis 3 is supported. The value of R-square is 0.70, which demonstrates that independent variables account for 70% of the variance in the dependent variable.



**Figure 4.2 Slope for moderation**

### Discussion

In this competitive and fast-growing working environment, the human element has become vital for the success of the organizations, so organizations must retain their employees at any cost (Ezaili Alias et al., 2018). According to Malik et al. (2017), leadership can influence the behaviour of employees in the workplace. So, this study has attempted to examine the impact of ethical leadership on turnover intention through employee engagement and how people with high and low general self-efficacy react to ethical leadership styles to be engaged in their work. All the hypotheses of the study were supported.

The first hypothesis of the study is about the negative association between ethical leadership and turnover intentions and the results supported the hypothesis. The outcomes of the study are aligned with Deconick (2014) study, which means in the presence of ethical leaders, the employee will

encounter fewer negative thoughts and the intentions of employees to leave the job will be reduced, which will be fruitful for the organizational profits and success.

The current study introduced employee engagement as a mediator between ethical leadership and turnover intentions by realizing its need and importance to reduce negative intentions of the employee. The second hypothesis of the study is about the mediation effect of employee engagement between the association of ethical leadership and turnover intentions, and the results support the hypothesis. A leader is an individual who can shape the behavior of the employee and can achieve the desired employee outcomes (Palanski et al., 2014). When an employee sees a fair, responsible, caring, and trustworthy leader they want to stay with the organization by being engaged which ultimately result in the reduction of employee turnover intentions.

The relationship between ethical leadership and employee engagement is moderated by general self-efficacy. The study's findings support the hypothesis by demonstrating how <sup>1</sup> general self-efficacy reduces the link between ethical leadership and employee engagement. Furthermore, we discovered through the slope of moderation that people with high self-efficacy have confidence in themselves (Pierce et al., 1993). They do not require leaders to encourage them since they think they can perform and participate in their tasks on their own. In contrast, a worker with poor self-efficacy heavily relies on external factors to excite them in their work.

When employees are treated fairly and respectfully, they trust the leader and put all of their cognitive, physical, and emotional efforts to perform their jobs which indicates that the employees are engaged in the jobs. When employees work with dedication, commitment, enthusiasm, energy, and focus then they develop positive thoughts about the organization, as a result of which turnover intentions of employees will be reduced. Personality traits can have a significant impact on the

employee tenure in the organizations, so employees who have strong general self-efficacy will thus be less likely to want ethical leaders to help them since they feel they can be involved in their work independently compared to those who have poor general self-efficacy.

### **Theoretical Implications**

The current study will contribute to the existing literature in many ways. First, this study has taken general self-efficacy as a moderator between ethical leadership and employee engagement which provides a new direction to the existing studies that in the presence of <sup>1</sup> general self-efficacy the impact of ethical leader on the enhancement employee engagement will be reduced so this will add to the literature of general self-efficacy. Second, it will add to the literature of employee engagement as a mediation mechanism between ethical leadership and turnover intentions, which is unique relation that explains that if there are ethical leaders then the employee will be engaged in their jobs, and turnover intentions will be reduced. Third, the data is collected from the financial sector, i.e., the Banking sector. The data in this context is usually collected from SMEs so it will add a new thing to the existing literature by providing insight into the management of turnover intention through ethical leadership. Lastly, the overall findings of the study will contribute significantly to the existing literature.

### **Practical Implications**

The current study also has some considerable practical implications for HR manages, emerging leaders, policymakers, and practitioners. As shown by the results of the current study, ethical leaders can gain the trust of employees towards the organization. So, the HR managers can hire ethical leaders or they can train the existing leaders and employees can develop the characteristics

of ethical leaders so that favorable employee outcomes can be achieved for the organization, hence reduction in the turnover intentions of employees and enhancement in the engagement. For this purpose, the HR managers can perform structured interviews, personality tests (written, observed or verbal), and the interesting test of graphology. Leaders of different sectors can get benefits from the results of this study if they are facing the issue of employee turnover. They can develop this leadership style and observe the changes. The policymakers can make policies by identifying the personality of their employees. If employees are highly self-efficient then policies will be different from the employees with low self-efficacy. Moreover, at the time of recruitment for any post in the organization, a leader can recruit an individual who has personality traits aligned with the culture of the organization.

### **Limitations and Future Directions**

Despite the number of theoretical and practical implications, the study is not free from limitations. First, the data is collected from the banking sector which means results cannot be extensively generalized to the other sectors. So, future researchers can target other sectors, like the manufacturing sector to get diversified results. Moreover, it is a cross-sectional study, the data was only gathered at one point in time, which has an influence on how variables are explained causally. Future research can collect data in lags or perform a longitudinal study. The current study has used convenience sampling due to shortage of time so the accurate representation of the population can be problematic, so future researchers can use other sampling techniques. Lastly, this study has used some limited variables according to the suitability and relevance, the future studies can use other variables like power distance orientation can be used as a moderator to know its impact on ethical leaders.

## CONCLUSION

The current study examines the impact of ethical leadership on turnover intention through employee engagement and how <sup>1</sup> employees with low or high general self-efficacy respond to ethical leadership to keep themselves engaged. The data has been collected from <sup>9</sup> employees

working in the IT sector of Pakistan specifically the Software Technology Park of Islamabad and it has been analysed by using SPSS and AMOS (version-22). The results of SEM suggested that ethical leaders can reduce the turnover intentions of employees by increasing their engagement level. Furthermore, high general self-efficacy workers are less likely to respond to ethical leaders as compared to employees with low general self-efficacy, because they believe that they do not need any support and have all the required abilities to be engaged in the job. Future researchers, HR managers, policymakers, aspiring leaders, and other practitioners can take useful insight from the results of this study.

# Arike Shahbaz Thesis MBA Fall 22

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