THE INTERVENING ROLE OF ETHICAL LEADERSHIP ON RELATIONSHIP BETWEEN EMPLOYEE DEVIANT BEHAVIOR AND EMPLOYEE ENGAGEMENT AMONG COMMERCIAL BANKS OF SINDH, PAKISTAN

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Abstract:

This research aimed to identify effect of employee deviant behavior and employee engagement among employees of commercial banks of Sindh Pakistan. Further, intervening effect of ethical leadership is also assessed between deviant behavior and work engagement. This research is cross sectional and collected responses by using survey method, from employees working among commercial banks of Sindh. The scales validity and reliability was checked before determining the model outcome. The results are extracted by using structural equation modelling which is considered as robust statistical approach. Results report that employee deviant behavior has

significant negative effect on employee engagement. However, as ethical leadership is induced than deviate behavior reduced and encourages employee engagement. Thus, ethical leadership mediates the relationship between employee deviant behavior and employee engagement. The results contribute to the HR policy makers of commercial banks.

1. Introduction

Change is the constant factor for every leader and every organization in today's global business climate, which is affected by ever-advancing technology. To change, the backbone of it is learning. Learning has the greatest impact on engagement and performance, as well as creating a long-term competitive edge. One of the most difficult challenges for any organization is to keep its personnel highly engaged in order to make learning successful. The reason for this is that an engaged employee is completely aware of the business context, demonstrating a high level of interest and devotion to the company. Managers are, without a doubt, the most essential source of competitive advantage in today's highly competitive global market. The need for highly committed employees is at the forefront as firms strive to succeed in terms of profit maximization and customer satisfaction. Top-level management recognizes that people have a significant impact on the organization's performance. As a result, numerous engagement-building strategies are used by organizations in order to stay and compete in the competitive race. Employees who are engaged are seen as the "backbone of effective working environments where people are diligent, ethical, and accountable" (Cleland et al, 2008; Levinson, 2007a).

Employees will remain involved if they are supported and guided by the organization's pillar, which is referred to as the "Leader." Employees that indulge in deviant conduct can be counseled by a strong leader who believes in the organization's core value system, culture, and ethical standards, directing their energy into productivity and changing them into an engaged workforce. Ethical leadership encourages ethical behavior while ignoring unproductive behavior. Their study looked at how job uncertainty affected employee attitudes, deviant conduct, organizational citizenship behavior, anxiety, rage, and burnout. One of the study's findings was that job instability is linked to deviant conduct, and that employees engage in deviant behavior as a sort of equity adjustment. The role of an ethical leader is critical in overcoming these types of very concerning challenges in enterprises.

Transformational leadership (Bass, 1985), Charismatic leadership (Conger &Kanungo, 1998), and spiritual leadership (Fry, 2003) are all ideas that display ethical behavior in some way. The main parts of ethical leadership include a strong value system based on honesty, as well as an equal concern for its employees and morally directing them toward ethical activities. The corporate world is struggling to overcome these obstacles in terms of work deviant behavior, whether in terms of the corporation as a whole or a person in particular. The globe has seen a worldwide recession and a series of scandals that are either directly or indirectly linked to a lack of ethical leadership.

2. Objective & Questions

To study the role of ethical leadership in reducing work deviant behavior and thereby, increasing employee engagement.

Research Questions:

- Is there any relationship between work deviant behavior and employee engagement?
- Does there exists a relationship between ethical leadership and employee engagement?
- Does ethical leadership mediates the work deviant behavior-employee engagement relationship?

3. Literature Review & Hypotheses

Employee Engagement: Over the course of a decade, the organizations have encountered several hurdles as well as an unpredictable environment, particularly during the economic downturn that began in 2008. Because of the uncertainty, top management made decisions that had an influence on employee engagement. In times of uncertainty, it's critical for businesses to concentrate on capturing the discretionary effort that may keep people motivated. High levels of employee engagement – informally defined as the willingness and ability to go the additional mile — have been linked to improved financial and operational results in a number of businesses, including leading academic institutions, according to studies.

Employee engagement is not a new notion; it dates back to the 1800s, when Fredrick Taylor researched the impact of employees' attitudes on production. Gallup and other companies started a survey on the above dimension more than three decades ago. Employee engagement is a win-win situation for both stakeholders, since it combines organizational productivity with employee satisfaction. Academicians and scholars are continually researching the notion of employee engagement. Employee engagement is a mental, emotional, and motivational state that encourages employees to perform at a greater level. The organization's engaged personnel believe in the notion of "speak, strive, and remain." They are adamant about adhering to the organization's essential ideals. Employees that are interested in their work have a high sense of vitality and effective connection to their work (Maslach&Leiter, 1997).

Employee Deviant Behavior: Researchers have been debating work place deviance in recent decades (Cohen-Charash and Mueller, 2007: Dilchert et al., 2007) since this variable has a psychological, social, and economic impact on an organization's productivity (Vardi and Weitz, 2004). In their study, Christian and Ellis (2013) looked at the impact of moral disengagement and turnover intentions on organizational deviance and found that moral disengagement was associated with high levels of organizational deviance. Workplace deviance is described by Robinson & Bennett (1995) as "voluntary activity that breaches significant organizational standards and so endangers the well-being of an organization, its members, or both." Distress, decreased productivity, low morale, and the intention to resign are all consequences of this type of conduct (O'Leary- Kelley, Griffin, &Glew, 1996). There is undoubtedly a decrease in productivity, whether the deviation is interpersonal or organizational in nature. According to Chen and Spector (1992), disagreeable job pressures contribute to emotional deviance among employees. Previous studies have attempted to identify numerous factors that contribute to deviant behavior, such as job cognition (Lee & Allen, 2002), hostile attribution, trait anger, attitude retribution (Douglas &Martinko, 2001).

Ethical Leadership: Due to a slew of crises in the global scene in recent years, ethical leadership has gotten a lot of attention. It's important to understand the role of leadership in organizations if you want to limit the quantity of unethical activity (Davis et al., 2007). ''The demonstration of normatively suitable conduct through personal acts and interpersonal interactions, and the encouragement of such conduct to followers through two-way

communication, reinforcement, and decision-making," Brown et al., (2005) defined ethical leadership. Only a few studies have discovered a link between ethical leadership and work deviant behavior (Mayer et al. 2009). We're all aware that leaders at all levels of a business are critical to maintaining an ethical culture and behavior (Grojean et al., 2004). Business executives that are ethical "speak the talk" and "walk the walk" (Stephen, 1991). A leader's performance is determined by their ability to inspire trust in their staff by encouraging them to follow the model of integrity. Values, Vision, Voice, and Virtue are four V's that play an important part in establishing ethical leadership. An ethical leader is one who has a strong core value system that he adheres to throughout his life.

4. Conceptual Framework & Hypotheses

Figure 1: Conceptual Framework
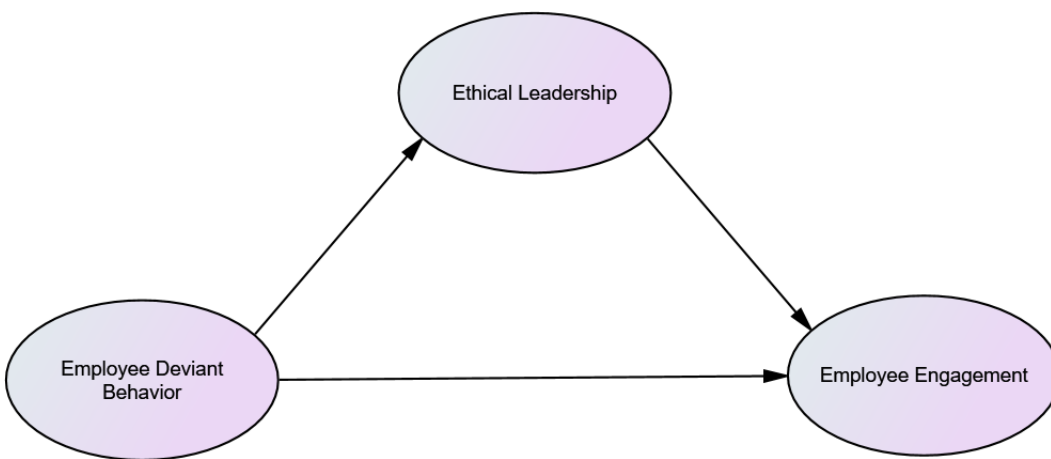
Hypotheses: Following Hypotheses have been developed.

H1: There is a negative relationship between work deviant behavior and employee engagement.

H2: Ethical leadership mediates the work deviant behavior-employee engagement relationship.

5. Research Gap

It goes without saying that a leader's position is critical in sustaining and maintaining an organization's ethical culture and behavior(Grojean et al., 2004). As a result, it's critical for scholars to comprehend ethical leadership in terms of outcomes (Walumbwa and Schaubroeck, 2009; Piccolo et al., 2010). Aside from looking at the major consequences of ethical leadership, the researcher must also consider how it affects employee engagement and, as a result, counterproductive conduct (Kahn, 1990). According to the findings of the literature study, while there are studies on ethical leadership, work deviant behavior, and employee engagement, there is a dearth of research on the interaction between these three aspects. In today's highly competitive global environment, it's critical for businesses to minimize work deviant behavior among employees, particularly organizational deviance, through ethical leadership in order to boost employee engagement. Though there isn't a lot of literature for this study, the construct is built on past studies with a limited amount of literature.

6. Method

A data of 384employees from commercial banks of Sindh was collected for the present study. Out of 384 surveys, 356 usable surveys were taken. The data comprised of 72.5 % males and 27.5% females.

Scales:

Workplace Deviant Behavior:It was assessed with Bennett and Robinson's (2000) measure, which comprised of 6 organizational deviance items. The cronbach alpha for this scale was .66.

Employee Engagement:It was measured by an abridged version of 5items Utrecht Work Engagement Scales bySchaufeli, Salanova, Gonzalez- Roma, and Bakker (2001). The cronbach alpha for this scale was .83.

Ethical Leadership Scale:Adopted from Brown et al,(2005), consists of 5Likert items that are represented. Cronbachalpha for this scale was .79.

7. Results

Validities: Table 1 shows the means, standard deviations, and bivariate correlations. It is crucial to show correlation between scales that measure the same construct (Nunnally& Bernstein, 1994). The discriminant validity is supported by the occurrence of non-significant correlation within the scales. Employee engagement is significantly associated to ethical leadership (r=.56, p0.001) and workplace deviant conduct (-0.48, p0.001), as seen in the table. Workplace deviant behavior is likewise significantly associated to EL (-0.44, p0.001).

Table 1. Descriptive Statistics, Reliabilities and Bivariate Correlations

Variables	Mean	SD	1	2	3
1. Employee Engagement			3.56 0.74		(0.83)
2. Ethical Leadership	3.78	0.68	0.56**		(0.79)
3. Work Place Deviant Behavior	2.24	0.84	-0.34**	-0.48**	(0.66)

Hypotheses Assessment:

Measurement Model:

The hypotheses were tested using the Structure Equation Model with AMOS v25 (Joreskog and Soroborn, 2006). The measured model was tested for goodness of fit before the hypothesized model was examined (Anderson and Gerbing, 1988). Employee Engagement, Ethical

Leadership, and Workplace Deviance were three latent components that the researcher used to test the measurement model. As the chi-square (X2) =832.36, degrees of freedom (df) =326, p.01; RMSEA=0.07 (RMSEA, less than 0.08, Browne and Cudeck, 1993); the Adjustment goodness of fit (GFI) =0.97; the Comparative goodness of fit (CFI) =0.92, the model has an adequate fit. Because the Average Variance Extracted for all of the variables was determined to be above, the model has appropriate convergent validity. 5. Furthermore, the Average Variance (AV) for each construct was found to be larger than the squared factor structure coefficient, implying discriminant validity (Fornell and Larcker, 1981).

Structural Model

The proposed structural model was tested once the measurement model was shown to be suitably fit. The model gave an adequate strong fit (. X2 =859.24, degrees of freedom (df) =314, p.01; RMSEA=0.06 GFI =0.96; CFI=0.98), as shown in figures 2 and 3. The data in Figure 1 (=-.59, p.001) fully confirm the first hypothesis that workplace deviant conduct is inversely connected to employee engagement. The data also supported the second hypothesis that ethical leadership mediates between employee deviant behavior and employee engagement (=.33, p0.01).

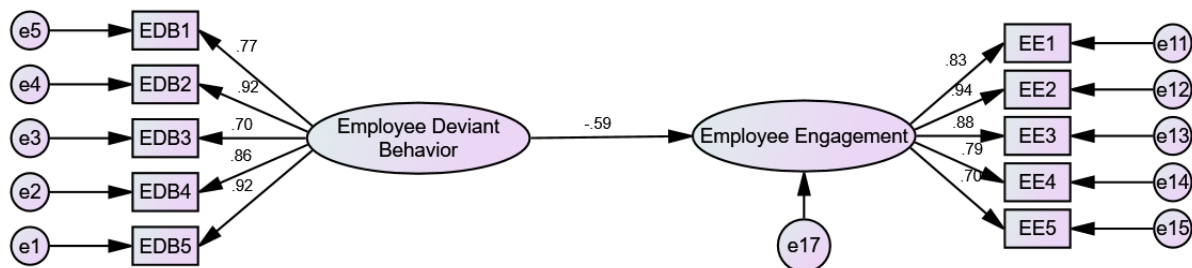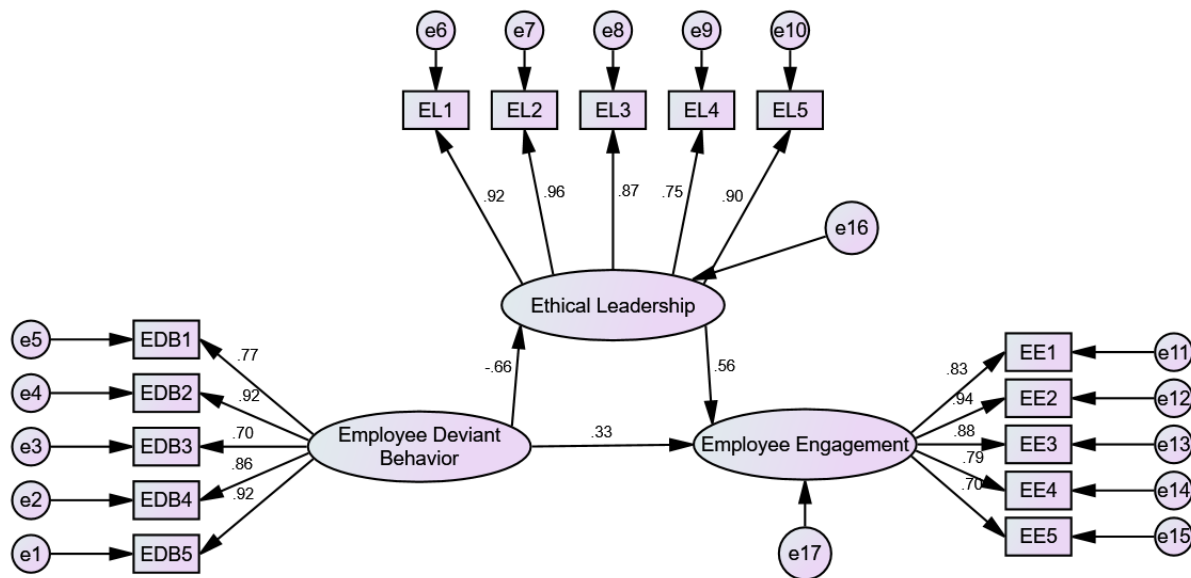## Figure 2: Direct relationship

Figure 3: Mediating Effect

8. Discussion & Conclusion

According to the findings of this study, there is a negative relationship between work deviant conduct and employee engagement. In their study, Christian and Ellis (2013) looked at the impact of moral disengagement and turnover intentions on organizational deviance and found that moral disengagement was associated with high levels of organizational deviance. The findings also revealed that ethical leadership influenced the relationship between work deviance and employee engagement. It is a proven truth that firms that give employees more autonomy and share feedback with them are more engaged, and hence less likely to participate in deviant conduct. As a result, leadership style is critical in motivating employees to do their best job (Alok& Israel, 2012), and the presence of a strong leader who acts ethically reduces employee deviant behavior. Previous research has also concluded that the employer or leader is an essential locus of engagement (Markos and Sridevi 2010). Employee deviant conduct is sometimes the outcome of corporate injustice in the form of favoritism or a mental health crisis. According to previous studies, those who felt unfairly treated participated in some type of unproductive action in order to feel more equal. This is where a leadership style can help to reduce work deviant behavior. It is the organization's leader who serves as a role model for his personnel (Deluga, 1995). Given that WDB is bad for business, such leadership stops employees from engaging in deviant behavior by stressing productive actions for the greater good (Hepworth &Towler, 2004). As a result of the current study, we can conclude that employees, as the backbone of an organization, need to be counseled on a regular basis in order to avoid divergence from their work and work toward productivity, which is advantageous for the business in general and for them in particular. To sum up, ethical leadership is critical for the success of a business in general and for the success of its people in particular. Organizational leaders should pay close attention to employee conduct and take steps to prevent aberrant behavior. It is critical for leaders to value the integrity and moral standards of their staff in order to keep them motivated. This can only happen if the leaders act as role models by actively participating in the day-to-day

operations of the company. Organizations should recognize that retaining loyal and devoted staff is challenging, and they should go to great lengths to keep them happy and engaged.

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