The Ethical Leadership and Employee turnover intention: Intermediation Analysis Based on Internal Psychological Status

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Abstract

Based on the theories of social exchange and social learning, this study explores the logical relationship between ethical leadership and turnover intention of employees in Kyrgyzstan enterprises, which enhances the universality and reliability of relevant research conclusions.

From the employee-centered perspective, this study explores the mediating role of two internal psychological states of employees, including mental sense of safety and justice perception of employees, between ethical leadership and employee turnover intention, and further deepens our understanding of how ethical leadership affects employee turnover intention.

Keywords: Ethical leadership; employee turnover intention; psychological safety; justice perception

Introduction

Competition between enterprises on the market is ultimately a competition for resources. Especially, high-quality human resources are the base for intense competition in the era of informational economy. For this reason, sufficient, permanent and highly skilled workers are the main resource of survival and development of an enterprise (Takeuchi R, Chen G, Lepak D P.,2009), which is a key competitive advantage of an enterprise. However, many companies face a high level of staff turnover, and this high turnover rate has negatively affect the company's long-term development opportunities. A significant increase in cost for recruitment and employee training has a direct negative impact (Mohr D C, Young G J, Jr J F B., 2012). The leadership model is undoubtedly a key factor; it influences the different behaviors of employees that is why the leadership model also has a major impact on the tendency to employee’s turnover (Long C S, Thean L Y, Ismail W K W., 2012). The generalization of an analysis of some literature leads us to examine those questions in our study: 1) Can ethical leadership affect the mental state of employees (such as psychological safety and perception of justice), which in turn directly affects the employee turnover intention(i.e. employees are the focus of research). 2) Can ethical leadership affect the employee turnover intention through the mediation of a psychological sense of safety? 3) Can ethical leadership affect the employee turnover intention through mediation of justice perception? Thus, this paper’s goals are to examine in more detail the relationship between the ethical behavior of a manager, the psychological sense of safety, the perception of justice, and the employee turnover intention.

This research carried out by empirical analysis, combining qualitative and quantitative research in order to clarify the influence and internal mechanism of ethical leadership on the employee turnover intention. Used research methods mainly include the following types: the study of literature; questionnaires as a research method; statistical and analytical data processing.

Theoretical analysis and hypothesis:

This study speculates that ethical leadership is negatively correlated with employee turnover tendency. The reasoning is as follows: The influence of an ethical leader on the employee turnover intention can be explained by the theory of social learning and the theory of social exchange. According to social learning theory, ethical leadership can influence employee behavior through role models. Therefore, when employees find the behaviors of leaders attractive and credible, they will imitate this model of behavior. The theory also shows that people learn appropriate behavior and performance from rewards, as well as punishment for immoral or improper behaviors, which is an important source of employee training. Therefore, employees can ensure that their behavior conforms to the ethical principles and standards of the organization, and since the employee clearly knows what
the organization accepts and does not accept, employees feel an even greater connection with the organization (Brown M E, Trevino L K, Harrison D A., 2005), and thus reduce the turnover tendency of employees. According to the theory of social exchange, when ethical leaders protect the rights of employees, respect their basic human rights and consider their career development instead of treating them as labor machines (肖贵蓉，赵衍俊，2017), employees feel a sense of duty towards the integrity of the organization and the good deeds of the leader, thereby even more willing to remain in the organization. Summarizing the above, we put forward the following hypothesis:

Hypothesis 1: Ethical leadership has a significant negative predictive effect on Employee turnover intention.

An ethical leader plays a positive role in the formation of psychological safety of employees, basically it happens for the following reasons:

Firstly, a leader who observes ethics always encourages universal adherence to moral standards or the system adopted in the organization, an impartial subjective view contributes to the fact that employees understand the actions of the leader; secondly, a leader who observes ethics, protects the interests of subordinates as much as possible, respects employees, takes care of them (肖贵蓉，赵衍俊，2017; Kanungo R N., 2001); thirdly, a leader who observes ethics treats all members of the organization fairly and impartially, but has a straightforward and honest character and deserves the trust of employees; fourthly, the leader who observes ethics firmly adheres to high morality, which reduces the employees' sense of uncertainty and anxiety in the organization (Treviño L K, Brown M, Hartman L P., 2003); finally, the leader who observes ethics has a completely different point of view and a different attitude to openness. Summarizing the above, based on the cognitive evaluation theory, in a leader who observes high level of ethics, meets the need of employees in psychological safety, which ultimately increases this feeling among employees.

On the other hand, a series of previous studies have shown that unless employees perceive safety, they will not do behaviors conducive to the organization and may even think of quitting. Ye Zhensun and others, based on studies of the situation of the working groups showed that only when the group feels a sense of psychological safety, the tendency to dismiss may decrease, otherwise the group will demonstrate a relatively strong tendency towards dismissal (叶仁荪, 倪昌红, 廖列法, 2016), similarly, taking as an object of study employees, Liu Hui and others, found that psychological safety has a negative effect on the tendency to dismiss (刘晖, 杨梦娜, 徐娴英, 2017). In fact, some studies show that, in addition to material interest, the key factors that make employees stay in the organization are hidden factors such as job satisfaction, working atmosphere, etc. (Detienne K B, Agle B R, Phillips J C., 2012). In other words, psychological safety increases the loyalty of employees to the organization, and then decreases the tendency to dismissal. In summary, we put forward the following hypotheses:

Hypothesis 2a: Ethical leadership has a significant positive predictive effect on Employee’s psychological safety.

Hypothesis 2b: Employee’s psychological safety has a significant negative predictive effect on Employee turnover intention.

Hypothesis 2c: Psychological safety plays a mediating role between the Ethical leadership and Employee turnover intention.

This study discusses the justice perception in the intermediary effect between ethical leadership and employee turnover intention, and also hypothesizes that justice perception will play a role of intermediary between ethical leadership and employee turnover intention, its reasoning is as follows:

First of all, the ethical leader treats each employee fairly; second, the fair and honest nature of the ethical leader leads to the fact that employees begin to feel trust, and then increases the sense of justice among employees in relation to the organization; and finally, ethical leader openly executes all points of the plan, forcing employees to rely on the impartiality, fairly distributes the assignments among employees. Numerous experimental studies have also proved that the ethical leader plays a stimulating role in the formation of a sense of justice, for example, studies by Han Liangliang and others, show
that the ability to ethical leadership enhances the sense of justice among employees (韩亮亮, 张彩悦, 2015); studies by Shu Rui and others, show that the moral leader enhances the sense of fair interaction among employees (舒睿, 梁建, 2015).

On the other hand, the feeling of injustice directly leads to the fact that employees commit negative actions that harm the organization, such as counterproductive behavior, etc. Researches of Colquitt and others on this issue shows that a sense of justice has a clear positive effect on the actions of employees regarding the organization, for example, job satisfaction, organizational commitment, trust, and organized behavior of citizens (Colquitt J A, Conlon D E, Wesson M J., 2001). Based on the complex Mobley model, it should be assumed that if employees are dissatisfied with the current work, then they might have the idea of dismissal (Mobley W H., 1977). In fact, early scientists have found that there is an obvious correlation between the sense of justice and the tendency to dismiss. For example, Jiang Chunyan showed that the sense of justice has a clear negative correlation with the employee turnover intention (蒋春燕, 2007). Similarly Gietert, found that justice, procedural fairness, and fairness when interacting equally have a clear negative correlation with the employee turnover intention (Gieter S D, Cooman R D, Hofmans J., 2012). In summary, we put forward the following hypotheses:

Hypothesis 3a: Ethical leadership has a significant positive predictive effect on Employee’s justice perception.

Hypothesis 3b: Justice perception has a significant negative predictive effect on Employee turnover intention.

Hypothesis 3c: Justice perception plays a mediating role between the Ethical leadership and Employee turnover intention.

Based on the above, the specific research model of this study is as follows:

![Research Model Diagram]

**Variables and Scale Selection:**

The variables used in this study were measured using the maturity scale from the previous study and evaluated using a 5-point Likert Scale, varying from “1-full disagreement” to “5-full agreement”.

1. Ethical leadership. In this study, a scale of ten statements is used in this research to measure ethical leadership, developed by Brown et al. (Brown M E, Treviño L K, Harrison D A., 2005).

2. Psychological safety. To measure psychological safety, this study uses the scale of measurements made by Liang etc. (Liang J, Farh C I C, Farh J L., 2012), the measurement scale includes five statements.

3. Justice perception. For the measurement of justice perception, it was used the justice perception scale compiled by Janssen (Janssen O., 2001), on the present study, which treats justice perception as a one-dimensional construct and was measured by six question items.

4. Employee turnover intention. To measure employee turnover intention, the scale developed by Mobley (Mobley W H., 1977) is more classical and widely accepted. This Mobley’s scale was used in this study, which includes four statements in total.

**Data Collection:**
The sample of this study comes from the author's social network, mainly from largest cities of Kyrgyzstan, such as Bishkek, Osh, and Jalal-Abad. The data of this questionnaire was collected within two months. At the time of T1, we collected the evaluation information of ethical leadership and demographic characteristics of employees; at the time of T2, we get the evaluation information of psychological safety, justice perception and staff turnover intention.

Data Processing and Analysis

In the course of our research, we sent a questionnaire to 300 employees. 300 questionnaires were collected for the first time, 270 for the second time. The randomly filling in the questionnaire was shown a distinct pattern (e.g., 1, 1, 1, 1, 1; 2, 3, 2, 3, 2, 3, etc.), excluding non-conforming and other irrelevant questionnaire in the amount we received 254 useful questionnaires whose efficiency ratio was 84.67%. Basic information about our respondents mainly included gender, age, education, and other characteristics.

Validity Test and Reliability Test:

The reliability and validity of each core variable were analyzed and we found out that the level of significance according to Bartlett's spherical test is \( P < 0.001 \) for all variables. The results of the KMO (Kaiser-Meyer-Olkin’s adequacy ratio test) are different though: ethical leadership is 0.928, psychological safety is 0.770, employee turnover intention is 0.765 and justice perception is 0.864. Both indicators are equally consistent with the recommended standards, which allows conducting the factor analysis on those variables. The principal component analysis (PCA) shows that the explanatory variance of ethical leadership factors was 57.76%, psychological safety was 52.76%, justice perception is 62.67% and employee turnover intention is 65.80%, indicating that the validity of the questionnaire is good enough. In addition, AMOS 22.0 was used to test the convergent validity of the scale of all variables. The results show that the appropriate indexes are within the recommended range. This study also analyzed the reliability of the variables. According to the results of the tests, it follows that the load factor of ten items in ethical leadership is higher than 0.479, and the internal consistency coefficient of the scale of moral leadership in this study is 0.911; the load factor of five items for psychological safety is higher than 0.558, and the coefficient of internal consistency of psychological safety, measured by the scale in this study, is 0.705; the load of six items on justice perception factor is higher than 0.489, and the internal consistency coefficient of justice perception scale in this study is 0.880; the load of four items on the factor of employee turnover intention is higher than 0.550, and the internal consistency coefficient of the measurement scale of employee turnover intention in this study is 0.826, which consistent with the recommended standards.

Correlation Analysis:

Descriptive statistical analysis and correlation coefficient analysis of valid questionnaire data were carried out.

Descriptive statistics show that: (1) the average value of the ethical moral leadership is 3.478, the standard deviation is 0.859; (2) the average value of psychological security is 3.023, the standard deviation is 0.767; (3) the average value of justice perception is 3.248, the standard deviation is 0.934; (4) the average value of employee turnover intention is 2.785, the standard deviation is 1.04.

The correlation coefficient test shows that there is significant negative correlation between ethical leadership and employee turnover intention \( (r = -0.235, P < 0.001) \); there is significant negative correlation between psychological safety and employee turnover intention \( (r = -0.266, P < 0.001) \); there is significant negative correlation between justice perception and employee turnover intention \( (r = -0.365, P < 0.001) \). There is a significant positive correlation between the ethical leadership and psychological safety \( (r = 0.653, P < 0.001) \), and a significant positive correlation between the ethical leadership and justice perception \( (r = 0.146, P < 0.05) \). These findings preliminarily confirm the hypothesis in this paper. Additional statistical tests are be performed below to analyze deeply the logical relationship between the above variables.
Table 5-14 is a table of descriptive statistics and correlation coefficients for variables.

Table 5-14 Descriptive Statistics and Correlation Coefficient Table for Variables (N=254)

<table>
<thead>
<tr>
<th>Variable name</th>
<th>1</th>
<th>2</th>
<th>3</th>
<th>4</th>
<th>5</th>
<th>6</th>
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<th>8</th>
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<tbody>
<tr>
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<tr>
<td>Age</td>
<td></td>
<td>0.038</td>
<td></td>
<td></td>
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<td></td>
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<tr>
<td>Work experience</td>
<td>-0.052</td>
<td>0.733***</td>
<td></td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>Education degree</td>
<td>0.058</td>
<td>0.245***</td>
<td>0.157**</td>
<td></td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td>Type of company</td>
<td>0.186***</td>
<td>-0.124**</td>
<td>-0.181*</td>
<td>-0.071</td>
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<td></td>
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<tr>
<td>Ethical Leadership</td>
<td>0.112</td>
<td>-0.08</td>
<td>-0.036</td>
<td>-0.110</td>
<td>0.169**</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Psychological Safety</td>
<td>0.107</td>
<td>-0.053</td>
<td>0.009</td>
<td>-0.06</td>
<td>0.119</td>
<td>0.053***</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Justice Perception</td>
<td>0.088</td>
<td>-0.076</td>
<td>-0.055</td>
<td>0.059</td>
<td>0.038</td>
<td>0.146*</td>
<td>0.214***</td>
<td></td>
</tr>
<tr>
<td>Turnover Intention</td>
<td>-0.024</td>
<td>-0.058</td>
<td>-0.066</td>
<td>0.009</td>
<td>-0.072</td>
<td>-0.235***</td>
<td>-0.266***</td>
<td>-0.365***</td>
</tr>
</tbody>
</table>

Mean Value: 1.614 2.391 2.783 2.370 2.319 3.478 3.023 3.348 2.785
Standard Deviation: 0.488 0.083 1.130 0.878 1.324 0.859 0.767 0.934 1.040

Note: *, **, *** respectively were significantly correlated at levels P<0.05, P<0.01, P<0.001.

1. Gender (1 = male, 2 = female); 2. Age (1 = up to 25 years old, 2 = from 26 to 30 years old, 3 = from 31 to 40 years old, 4 = from 41 and older); 3. Work experience (1 = up to a year, 2 = from 1 to 3 years, 3 = from 4 to 6 years, 4 = from 7 years and above); 4. Education degree (1 = specialist and below, 2 = bachelor's degree, 3 = master's degree and above); 5. Type of company (1 = state company, 2 = private company, 3 = government-affiliated company, 4 = joint company, 5 = company with foreign funds).

Research Hypothesis Testing:
Finally this study examines the relationship between ethical leadership and employee turnover intention by using hierarchical regression method. This study found that:

Firstly, there is a significant negative relationship between ethical leadership and employee turnover intention (beta = 0.280, P < 0.001), and Hypothesis 1 is supported.

Secondly, there is a significant positive relationship between ethical leadership and psychological safety (beta = 0.577, P < 0.001), assuming that Hypothesis 2a is supported.

Thirdly, there is a significant negative relationship between psychological safety and turnover intention (beta=-0.352, P < 0.001), assuming that Hypothesis 2b is supported.

Fourthly, after incorporating ethical leadership and psychological safety, there was no statistical significant relationship between ethical leadership and turnover intention, while psychological safety was negatively correlated with turnover intention (beta=-0.250, P < 0.05). Therefore, psychological safety plays a completely mediating role between ethical leadership and employee turnover intention, assuming that Hypothesis 2cis supported.

Fifth, there is a significant positive relationship between ethical leadership and justice perception (beta = 0.153, P < 0.05), assuming that Hypothesis 3a is supported.

Sixth, there is a significant negative relationship between justice perception and employee turnover intention (Model 4, beta=-0.417, P < 0.001), assuming that Hypothesis 3b is supported.

Seventh, after incorporating ethical leadership and justice perception, the negative effect of ethical leadership on employee turnover intention decreased from 0.280 to 0.220, while justice perception was negatively correlated with employee turnover intention (beta=-0.389, P < 0.05). Therefore, fairness perception plays a mediating role between ethical leadership and employee turnover intention, assuming that Hypothesis 3cis supported.

Conclusions and discussion:
This study first summarizes the research conclusions:

Firstly, ethical leadership has a significant negative predictive effect on employee turnover intention. Secondly, ethical leadership has a positive impact on employee psychological safety; employee psychological safety has a negative impact on employee turnover intention; psychological safety plays a full intermediary role in the relationship between ethical leadership and employee turnover intention. Finally, Ethical leadership positively affects employee's justice perception;
employee's justice perception negatively affects employee turnover intention; employee's justice perception plays a full intermediary role in the relationship between ethical leadership and employee turnover intention.

Discussing Conclusion of the Study

First, through regression analysis, this paper explores the relationship between ethical leadership level and employee turnover intention, and the conclusion once again demonstrates that ethical leadership is one of the important situations that negatively affect employee turnover intention. The empirical results of this paper support the discussion of this paper, which is consistent with the recent research findings of Xiao Guirong and Zhao Yanjun (肖贵蓉, 赵衍俊, 2017), but different from the recent research of Xiao Guirong and Zhao Yanjun. This paper is based on the ethical leadership scale compiled by western scholars and widely used in various organizational environments, while Xiao Guirong and Zhao Yanjun use their newly developed ethical leadership scale. The reliability and validity of this leadership scale still need to be confirmed by follow-up studies.

Second, previous studies have pointed out that leaders will influence employees' evaluation of the organizational environment to form different internal psychological states, which ultimately lead to different employee behaviors. It can be speculated that the influence of ethical leadership on the turnover intention of employees is largely due to the influence of morality on influencing or shaping the internal psychological state of employees (such as psychological safety and justice perception), and then affecting the turnover intention of employees. According to previous studies, some scholars have empirically confirmed the influence of leadership style (such as ethical leadership) on the psychological internal conditions of employees, such as psychological safety and justice perception. Other scholars have found that the two important internal psychological conditions of psychological safety and justice perception have a significant influence on employee turnover intention. However, as of now there are few studies that combine these two parts to explore whether leadership styles (such as ethical leadership) can affect employee turnover intentions through two important internal psychological conditions: psychological safety and justice perception. This paper constitutes a useful attempt. The empirical research confirms the role of psychological safety and justice perception in the transmission path between ethical leadership and employee turnover tendency. The sense of psychological safety plays a complete role between ethical leadership and employee turnover intention. Justice perception plays a partial intermediary role between ethical leadership and employee turnover.

Research Limitations and Future Research Prospects

Similar to previous studies, although we have adopted some measures to ensure the thoroughness of the study, this study still has some unavoidable shortcomings and limitations:

1) Obtain survey data through cross time self-report of focus individuals, so that the research on the relationship between ethical leadership, psychological safety, justice perception and employee turnover intention will be affected by common methodological bias. Future research can use multiple data sources (e.g., the information of moral leadership is evaluated by employees, while the turnover intention of employees is evaluated by superiors), so as to further reduce the deviation of common methods, and ultimately to further ensure the validity of research conclusions;

2) This study focuses on the impact of ethical leadership on employee turnover at the individual level. In fact, both ethical leadership and employee turnover intention can expand the team level and even the departmental level. Therefore, future research can further examine the impact of ethical leadership on employee turnover intention at team level and even departmental level in the light of cross-level research trends in the field of organizational management.

3) Based on the design of this study, this study focuses on the role of two important internal psychological mechanisms, psychological safety and justice perception, in the transmission mechanism of ethical leadership and employee turnover intention, but fails to examine the situational
mechanism of ethical leadership on employee turnover intention. Based on this, future research can include moderating variables to more clearly define the limits of the ethical leader’s influence on employee turnover intention, so as to build a more complete research framework.

Reference


