



THE NEXUS BETWEEN ETHICAL LEADERSHIP BEHAVIOUR AND EMPLOYEES' ORGANISATIONAL COMMITMENT: EVIDENCE FROM NIGERIA BANKING SUB-SECTOR

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Abstract

One of the significant factors that occasions ethical corporate scandals and commercial crimes has been attributed to the failure of corporate leaders to demonstrate ethical leadership behaviour, and this has a serious implication on various employees' attitudinal outcomes. This study, therefore, examines the link between ethical leadership and employees' organisational commitment with evidence from Nigeria banking sub-sector (commercial banks). Using a survey of 123 respondents from some selected commercial banks in four (4) commercial areas in both Akoko North-East and South-West Local Councils Areas in Ondo State, Nigeria, data generated were analysed by both descriptive and inferential statistics. Findings revealed a significant association between ethical leadership and employees' commitment within the Nigeria commercial banking sector. Besides, findings also showed that employees working in commercial banks in Nigeria are aware of the importance of ethical leadership and its implications on organisational commitment. The research, thus, concludes that building and maintaining ethical banking culture and climate to endear employees' commitment demands ethical leadership behaviour on the part of firms' corporate leaders.

Keywords: Ethical Leadership, Commitment, Ethical Leaders, Commercial Banks, Nigeria.

1. INTRODUCTION

In many once-respected organisations such as AIG, Countrywide Financial, Lehman Brothers, Siemens AG, Enron, WorldCom, Tyco, Rite Aid, ImClone Systems, Martha Inc etc., reported cases of ethical transgressions have undermined and hampered their corporate existence and activities (Simha & Cullen, 2011, Arnaud, 2010, Okpara & Wynn, 2008). The ethical transgressions that rocked these corporate organisations have not only led to the erosion of public perceptions but also the exit of their managing/executive directors.

In Nigeria, the Central Bank of Nigeria (CBN) initiated a financial policy tailored towards reforming the banking sector called 'Bank Recapitalisation Policy'. Prior to this policy, the capital base for any commercial bank in Nigeria was 2 billion naira. This capital base which could be afforded by two or more individuals resulted in proliferation of commercial banks with no or little credit and liquidity base. During these periods, Nigerian banking sub-sector was immersed in unethical practices. According to Bello (2012), the Nigerian banking sub-sector was at the halt of collapse in 1997, twenty-six commercial banks failed due to financial irregularities. The recapitalization reform of the Central Bank of Nigeria demanded each commercial bank to have a capital base of 20 billion naira. This new policy led to a situation where some banks were subsumed through mergers, acquisitions, and takeovers in order to meet up with the required capital base. However, some of the bigger banks that weathered the storm of meeting up with the required capital base consequently enmeshed in ethical transgression which culminated to their demise and cost the corporate directors their jobs. In this category includes the likes of Intercontinental Bank Plc, Oceanic Bank Plc, FinBank Plc, and Equatorial Trust Bank Plc. In August 2011, according to Bello (2012), three Nigerian banks namely Afribank Plc, Spring Bank Plc and Bank PHB failed due to financial irregularities of their corporate managers. These banks were among the eight banks placed under critical scrutiny by the Central Bank of Nigeria (CBN) management in August 2009 following the clean-up of the banking industry. The managing/executive directors of the affected banks were accused of indulging in corporate scandals or commercial crimes.

The failure of corporate leadership to demonstrate ethical leadership has been identified as a common thread underlying these ethical corporate scandals/commercial crimes and its consequent negative impact on employee outcomes (Ponnu & Tennakoon, 2009). However, despite the scandals that have rocked the banking sector, high corruption rating in Nigeria and its implications on organizational and employees outcomes, empirical research on ethical leadership and its influence on outcomes is significantly lacking. In other words, there were studies that have examined the individual and group determinants of ethical leadership behaviours and the consequences of such ethical behaviours at the organizational level (Holmes, et. al, 2002; Honeycutt, et. al., 2001), how ethical leadership influences individuals behaviour or employees' attitudinal outcomes has not been empirically examined, most especially in Nigerian banking sub-sector..

Hence, the thrust of this study is to empirically examine the association or link between ethical leadership and employee's organizational commitment, most especially in the commercial banking sector in Nigeria. The major objective of this study will be to investigate whether ethical leadership behaviour will predict employee's organizational commitment.



2. LITERATURE REVIEW

2.1 Ethical Leadership Behaviour

In spite of reported scandals that recently rocked many corporate organizations, evidence from empirical research suggests that leaders are not showing much concern about the issue of ethical in leadership and behaviour (Ponnu & Tennakoon, 2009). A survey of 182 executives disclosed that only 13 percent of the big-company top executives thought, "having strong ethical values is the most important leadership needed by CEOs" (Stango, 2006 as cited in Ponnu & Tennakoon, 2009). This disclosure justifies the pervasiveness of unethical practices in many corporate organizations.

Leadership is defined as a process whereby individual influences the activities of others towards accomplishing a common goal (Northouse, 2007 as cited in Bello, 2012). According to Bass (1990), how a person, theoretically, becomes a leader can be explained in three different ways: the trait theory, the great event theory, and the process theory. Trait theory is a situation where some personality traits may lead people naturally into leadership roles (Bello, 2012).. A crisis or important event may cause a person to rise to the occasion, which brings out extraordinary leadership qualities in an ordinary person; this is the Great Events Theory. The process theory is a situation when leadership skills are learnt (Bello, 2012).

The leadership process occurs in one or two ways, either transformational or transnational. Transformational leadership occurs when a leader develops a vision that informs and expresses the organisation's mission and lays down the foundation for organisation's strategies, policies, and procedures. A transformational leader empowers his followers through the use of strategies and techniques, enhances their self-advocacy, and works towards changing their values, norms and attitudes in consistent with the leader's vision (Bello, 2012).

Transnational leadership is much more concerned on the allocation of resources and ensures that these resources are religiously utilised towards accomplishing a given task. According to Bello, (2012), a transnational leader influences followers through the use of rewards, sanctions, and formal authority or position to induce followers' compliance behaviour. The transactional leader presumes that the employee will not do anything except for a transaction in which the payment for service is large enough to motivate the employee to perform. In transactional leadership style, the employee does nothing out of a sense of loyalty and selflessness toward the organization but only acts as a means of gaining payment.

Ethical leadership can be defined as the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships, and the promotion of such conduct to followers through two-way communication, reinforcement and, decision-making (Brown, et. al., 2005 as cited in Ponnu &Tennakoon, 2008; Bello, 2012; Ismail & Daud, 2014). This definition, as put by Brown et.al,(2005), has four major components: the first component "demonstration of normatively appropriate conduct through personal action and interpersonal relationship"... implies that a leader, who is perceived to be ethical, is seen as a legitimate and role model. Such leader exhibits model conduct-trustworthiness, honesty, fairness, care, etc., that is considered to be normatively appropriate (Ponnu &Tennakoon, 2008). Ethical leaders with normatively appropriate conduct act with integrity and treat others fairly. They make principle and fair choices, are trustworthy and honest, do not practice favouritism, and take responsibility for their own actions (Ismail & Daud, 2014; Brown et al., 2005; De Hoogh & Den Hartog, 2008; Treviño et al., 2003). The second component of this definition, "promotion of such conduct to followers through two-way communication..." suggests that ethical leaders do not only talk to followers or subordinates about ethics but also allow them a say in decisions making (Ismail & Daud, 2014; Ponnu & Tennakoon, 2008). Ethical leaders also make ethics salient in the social environment by talking explicitly to subordinates, paying attention to their concerns, ideas, and opinions and also provide followers with a voice (Treviño et al., 2003; Ponnu & Tennakoon, 2008). The component, "...reinforcement..." implies that ethical leaders convey standards that guide ethical behaviour. Ethical behaviour is achieved when ethical leaders set the standards, reward ethical conducts, and apply appropriate sanctions when standards are encroached by followers. The last component of the definition that relates to " decision- making" implies that leaders that are perceived to be ethical make principle and just decisions and choices that can be followed by others (Holmes et al., 2002). As put by Ponnu & Tennakoon (2008), ethical leaders are always meticulous of the ethical implications and consequences of their decisions, and therefore make fair choices that can be followed by the subordinates.

Ethical leadership does not only entail making decisions and ensuring compliance from the followers, but also involves leading in a manner that respects the dignity and rights of the followers (Resick et al 2006). Ethical leaders are seen as role model to followers in the organisation. Therefore, the actions of ethical leaders significantly influence the behaviour of followers. In order to sustain ethical behaviour on the part of followers or subordinates, standards set by the ethical leaders should be incorporated in the culture and climate of the organisation. As put by Butcher (1987) as cited in Ponnu & Tennakoon, (2008), ethical leaders must be more concerned with creating the right condition and organisational culture, which is also the organisational soil, to foster the development of ethical behaviour, than building a compliance infrastructure.



Ethical leaders must make ethics the cornerstone of how they conduct business by practicing ethical behaviour in their personal life, in their businesses, and in their relationship (Sims & Brinkmann 2002). The 'moral common sense', as put by Cordeiro, (2003), can also elicit ethical behaviour among managers in an organisation. This "moral common sense" includes: avoiding harming others, respect the rights of others, do not lie or cheat, keep promises and contracts, obey the law, prevent harm to others, help those in need, be fair, and reinforce these imperatives in others. Ethical leadership, therefore, emphasises and concerns with the importance of people orientation and visible ethical actions in an organisation (Trevino et al., 2003).

2.2 EMPLOYEES ORGANISATIONAL COMMITMENT

Organisational commitment, as an employee's attitudinal outcome, has received considerable attention among scholars and researchers. The definition put forth by Mowday et al. (1979) has been the central focus of explanation of what organisational commitment entails by many scholars and researchers. Employee organisational commitment can be defined as the relative strength of the identification of the individual and involvement with his particular organization (Monday et al., 1979 as cited in Okpara & Wynn, 2008). According to Okpara & Wynn (2008), this definition has three basic components: a strong belief in and acceptance of the organization's goals and values (identification); a willingness to exert a considerable effort on behalf of the organization (involvement); and a strong intent or desire to remain with the organization (loyalty).

The relationship between ethical leadership and employee organisational commitment has been emphasised in some studies and literatures. According to Trevino et al (2000), ethical leadership contributes to commitment and satisfaction. This view is also supported by Mathieu and Zajac (1990) that leadership dimensions and attributes such as employee empowerment, initiating structure, consideration, communication, and participative leadership are all antecedents of organizational commitment at individual level. Research has also indicated link between ethical leadership and employee organisational commitment in number of ways. According to Jermier & Berkes (1979), employees show greater organisational commitment when leaders encourage their participation in decision making. Employees also exhibit greater organisational commitment behaviour when leaders are perceived to treat them with consideration (Bycio, Hackett, & Allen, 1995), fairness (e.g., Allen & Meyer, 1990) and are supportive of them (e.g., Allen & Meyer, 1990; Mottaz, 1988). Also, Mize (2000) proposed that there is a positive relationship between ethical behaviour and employees' level of commitment.

Similarly, Watson (2010), posited that employee's perception of a leader's ethical values has the potential to impact the employee's level of organizational commitment. Ismail & Daud (2014), argued that the success of employee organisational commitment so as to improve performance is anchored on the applicability and practicability of ethical leadership. Leaders who are perceived to be ethical are seen as having normatively appropriate conducts- fairness, trustworthiness, care, honesty, etc,- which can significantly influence employee's attitudinal outcomes in workplace. The normatively appropriate conducts are seen by followers or subordinates as acceptable conducts that make leaders legitimate role models. In general, studies have indicated that a relationship exists between ethical leadership and organisational commitment (Klein, 2012; Neubert et al. 2013; Handford and Leithwood, 2013)

3. RESEARCH FRAMEWORK AND HYPOTHESIS DEVELOPMENT

Given the review of the preceding literature above, the framework of this study will revolve round the concept of ethical leadership and employee organisational commitment. One important conclusion drawn from the review of literature of this study centred on the point that ethical leadership has a significant relationship with employee's organisational commitment. Ethical leaders are seen as role model with appropriate normatively conduct, who treat others fairly and allow followers a say, who set standards, reward ethical conduct, and sanction erring followers or subordinates, and who understand the consequences and implications their actions, and, therefore, make just and fair decisions (Ponnu & Tennakoon, 2008; Ismail & Daud, 2014; Brown et al., 2005; De Hoogh & Den Hartog, 2008; Treviño et al., 2003). These ethical leadership attributes have been identified to elicit employee's positive attitudinal outcomes. One of the important employee's attitudinal outcomes is 'commitment, and studies have shown that employee's organisational commitment has a relationship with ethical leadership (Ponnu & Tennakoon, 2008; Ismail & Daud, 2014; Brown et al., 2005; Klein, 2012; Neubert et al. 2013; Handford and Leithwood, 2013).

One important fact to be noted as far as the studies on ethical leadership in concerned is that they-ethical leadership studies-were examined mostly in the developed nations of the world. In Nigeria, where cases of ethical transgressions involving commercial banks and other manufacturing sectors have been reported, ethical leadership study has been grossly inadequate. There is, therefore, a need to investigate whether important employee's attitudinal outcome such as commitment can be predicted by ethical leadership behaviour. To determine the relationship that exists between ethical leadership and employee's attitudinal outcome such as commitment in Nigeria banking sub-sector, the researcher thus hypothesises: Ethical leadership behaviour is significantly related to employee's organisational commitment.

4. METHODOLOGY

4.1 Sample and Data Collection

The sample of this study comprised staff of some selected commercial banks in Nigeria. The selected banks were drawn from four commercial areas in Akoko South-West Local Government Area of Ondo State. Using purposive sampling method, a sample size of 150 was selected. The “drop and pick” method of administering questionnaires was employed, and of the 150 questionnaires distributed, 123 questionnaires were properly filled and returned and considered usable for the analysis of data. Some trained research assistants hand-delivered the data gathering instruments to the 150 respondents in the selected banks drawn for the purpose of the study.

4.2 Measures and Instruments

To measure ethical leadership behaviour, employees’ perception of the ethical leadership behaviour of their superior/immediate authority figure was measured with the Ethical Leadership Scale (ELS), adopted from Brown et al (2005). This instrument has been used overtime by researchers in measuring ethical leadership behaviour (e.g Ponnu and Tennkoon, 2008). This instrument consisted of ten (10) items which were represented on a 5-point likert scale (1= Strongly Disagree, 5= Strongly Agree). In this study, the ten (10) items were adopted but measured on a 4-point Likert scale (1= Strongly Disagree, 4= Strongly Agree) with higher scores indicating greater ethical leadership behaviour. According to Ponnu and Tennkoon (2008), reliability estimates have indicated that ELS has demonstrated excellent internal consistency and were stable over 3 studies as $\leq .92$, $N = 127$; $\leq .91$, $N = 184$; $\leq .94$, $N = 87$ respectively. This study further supports the high internal consistency with a cronbach’s alpha consistency value of .84 ($N = 45$).

The second instrument to measure employee’s organizational commitment was adopted from Mowday et. al. (1979). The Organizational Commitment Questionnaire (OCQ) is used to measure employees’ commitment to their organizations. This instrument consisted of nine items originally measured on a 7-point likert scale, but was modified to a 4-point likert scale in this current study (1= Strongly Disagree, 2= Disagree, 3= Agree and 4= Strongly Agree). According to Okpara and Wynn (2008), this instrument has been tested and used previously for research in developing countries (Al-Meer, 1989; Yavas et al., 1990). Reliability estimates on employee’s organizational commitment (EOC) for previous studies have been excellent (e.g Ponnu and Tennkoon (2008): cronbach alpha=0.88, $N=174$). This current study therefore supports such high reliability with a cronbach’s alpha value of 0.90 ($N=45$).

5. DISCUSSION OF FINDINGS

5.1 Sample Characteristics of the Respondents

A profile of the respondents and their characteristics is given in Table 1. The gender profile shows that most of the respondents were mostly males that are 77 respondents out of the total 123 questionnaires returned were male, representing 62.6% of the total sample while 46 respondents representing 37.4% of the sample were female. The aim of including gender of respondents was to establish whether there is a difference in the way female bankers and male bankers perceive ethical leadership in their respective workplaces. The age profile also shows that a large number of respondents are within the age bracket of 25–34 and that represents 60.2% of the total sample (i.e. 74 respondents) followed by 29 respondents of age brackets between 35–44 which represents 23.6% of the total sample. 20 of the respondents are representing 16.3% of the total sample. None of the respondents is more than 45 years of age meaning that majority of the sampled respondents are young banking personnel of within the age bracket 25-34. The educational level profile shows that 33(26.8%) of the respondents sampled have either a National diploma or a HND, while 69(56.1%) are University graduates and 21(17.1%) of the respondents have attained a post-graduate degree or the other. The number of year’s respondents have spent in the Banking sector generally is also presented in the table above. The work experience profile also shows that 62 respondents have not spent up to 5 years in the sector; they represent 50.4% of the total sample. 47 respondents have spent between 5-10 years (representing 38.2%), 11 persons have spent between 11-15 years (representing 13.3%), and 3(representing 2.4%) of the respondents have spent between 16-20 years.

Table 1: Sample characteristics of the respondents

	Gender	N	%
1.	Male	77	62.6
2.	Female	46	37.4

Table 2: Age group

	Age Group	N	%
1.	Under 25 years	20	16.3
2.	25-35 years	74	60.2
3.	35-44	29	23.6

Table 3: Educational Qualification

	Educational Qualification	N	%
1.	OND/HND	33	26.8
2.	25-35 years	69	56.1
3.	35-44	21	17.1

Years of Work Experience

S.No	Years of work experience	N	%
1.	Under 5 years	62	50.4
2.	5-10 years	47	38.2
3.	11-15 years	11	8.9
4.	16-20 years	3	2.4

NOTE: n= 123

Source: Field Report, 2015

5.2 REGRESSION ANALYSIS RESULTS

The hypothesis of this study was tested using Statistical Package for Social Sciences (SPSS 15.0) and the results of the analysis are presented in Table 2. The Model Summary table for the hypothesis reveals the correlation coefficient (0.594) which shows the direction and strength of correlation that exists between the variables. In this case, there is a moderate positive correlation between the two variables. The model shows that the analysis of variance of the fitted regression equation is significant with F value of 65.897. This is an indication that the model is a good one. Since the p-value (.000) is less than 0.05, it shows a statistically significant relationship between the variables at 95 percent confidence level. Therefore, the hypothesis of statistically significant association is supported. The R² statistic in Model Summary Table indicates that the model as fitted explains 35.3 percent of the total variability in Employee's Organizational Commitment. In other words, 35.3 percent of the total variability in Employee's Organizational Commitment (about its mean) can be explained by Ethical leadership. The value of R² = 0.353 shows that Ethical leadership is a good predictor of Employee's Organizational Commitment. The probability value in last column of the Coefficients table reveals that the regression coefficient is statistically significant at 0.05 significant level.

Table 2: Regression Analysis Results

Dependent Variable	Predictor Variable	Beta Coefficient	R ²	F-value	Sig.	Decision Rule
Employee's Organizational Commitment	Ethical Leadership	0.594	0.353	65.897	.000	Accepted

6. CONCLUSION, IMPLICATIONS AND RECOMMENDATIONS

6.1 CONCLUSION

Based on the findings of this study, it can be concluded that the total commitment of workers to their respective organizations is a function of ethical leadership behaviour exhibited by superiors and authority figures. The findings corroborate previous studies that indicated a relationship between ethical leadership and employees' commitment (Ponnu & Tennakoon, 2008; Ismail & Daud, 2014; Brown et al., 2005; Klein, 2012; Neubert et al. 2013; Handford and Leithwood, 2013). Leaders who are perceived to exhibiting normatively appropriate conduct are seen as role models by followers and others in the organizations. Ethical transgressions committed by leaders not only hamper employee's organizational commitment but also threaten the corporate existence of organizations. This study therefore concludes that the recent ethical scandals/commercial crimes rocking commercial banks in Nigeria were as a result of ethical lapses on the part of their corporate leadership. The crises not only eroded employee's commitment but also aggravated labour turnover, and brought untimely demise to these corporate entities. The research, thus, concludes that building and maintaining ethical banking culture and climate to endear employees' commitment demands ethical leadership behaviour on the part of firms' corporate leaders.

6.2 IMPLICATIONS

The finding of this study reveals that employee's organization commitment can be significantly predicted by ethical leadership behaviour. The implication is that if leaders behave ethically, then followers or subordinates would be ethically influenced or affected. This means that superiors' ethical behaviour would positively influence employees' attitudinal outcomes, such as commitment, in the organization. The desire of any employee to identify, involve and remain loyal to an organization hinges on the positive display of ethical behaviours on the part of leaders or superiors. If ethical conducts are emplaced as a culture or climate, the behaviour of employees would be tailored positively to committing to the goals and aspirations of the organizations.

6.3 RECOMMENDATIONS

To promote ethical banking culture and climate in the Nigerian banking environment, corporate leaders must be seen as role models. A leader that is perceived to be a role model should set ethical standards, reward ethical conducts and reprove erring staff in the workplace. This study finally recommends that leaders should not only set standards, reward ethical conducts or punish ethical violations, but also engage subordinates in active participation in decision making in the organization as this is a salient factor for improving and promoting employee's organization commitment.

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**APPENDIX
REGRESSION RESULTS**

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.594(a)	.353	.347	.50136

a Predictors: (Constant), ELDSHIP

ANOVA(b)

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	16.564	1	16.564	65.897	.000(a)
	Residual	30.415	121	.251		
	Total	46.979	122			

a Predictors: (Constant), ELDSHIP

b Dependent Variable: EmpCommitment

Coefficients(a)

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta	B	Std. Error
1	(Constant)	.184	.358		.513	.609
	ELDSHIP	.851	.105	.594	8.118	.000

a Dependent Variable: EmpCommitment

**QUESTIONNAIRE
ETHICAL LEADERSHIP SCALE**

The items in this section comprise questions that relate to demonstration and promotion of ethical conduct to followers.

ITEMS	Strongly Agree (4)	Agree (3)	Disagree (2)	Strongly Disagree (1)
Ethical leader:				
Listens to what employees have to say				
Has the best interest of employees in mind				
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				
Disciplines employees who violate ethical standards				
Conducts his/her personal life in an ethical manner				
Defines success not just by results but also the way that they are obtained				
When making decisions, asks, "What is the right thing to do?"				



SECTION C: EMPLOYEE'S ORGANISATIONAL COMMITMENT

The items in this section comprise employee's organisational commitment questionnaire

ITEMS EMPLOYEE'S ORGANISATIONAL COMMITMENT	Strongly Agree (4)	Agree (3)	Disagree (2)	Strongly Disagree (1)
I am willing to put in a great deal of effort beyond that normally expected in order to help this organization be successful.				
I talk up this organization to my friends as a great organization to work for.				
I would accept almost any type of job assignment in order to keep working for this organization				
I find that my values and the organization's values are very similar.				
I am proud to tell others that I am part of this organization.				
This organization really inspires the very best in me in the way of job performance.				
I am extremely glad that I chose this organization to work for over others I was considering at the time I joined.				
I really care about the fate of this organization.				
For me this is the best of all possible organizations for which to work.				