

The Effects of Transformational and Ethics-Based Leaderships on Employee's Loyalty towards Marketing Agencies in Ho Chi Minh City, Vietnam

Mai Ngoc Khuong, Vo Anh Linh, and Vo Minh Duc

Abstract—This study aimed to identify and analyze the factors affecting employee loyalty. Quantitative approach was employed with statistical techniques applied, including factor analysis, multiple regression, and path analysis. The unit of analysis was at individual level with the sample size of 283 employees working for marketing agencies in Ho Chi Minh City. Based on the empirical results, this study showed that ethical leadership, ethic-based contingent reward leadership, employee ethical promotion and employee ethical prevention had positive effects on employees' loyalty. Besides, both of the ethical leadership and ethic-based-contingent reward leadership indirectly affected employees' loyalty.

Index Terms—Ethic-based leadership, employee's loyalty, regulatory focus factor, Ho Chi Minh City.

I. INTRODUCTION

In today's time, ethics plays a large part in all aspects of life which means that it also plays a part in business and organizational attitudes. However, the data shows that many organizations are facing an increased financial threat from internal unethical behavior, ranging from illegal kickbacks to the theft of office supplies [1].

The work ethic — a commitment to the value and importance of hard work—among potential employees has raised a public concerns for long time. Some claim that work ethic is declining both in America as well as other industrialized countries. The result of the declining in work ethic lead to the lower levels of job performance [2], higher levels of absenteeism and turnover [3], [4] and increasing counterproductive behavior ranging from unauthorized breaks to employee theft [5].

Besides, the employee loyalty is very low in the recent years. The MetLife's 10th annual survey reported employee loyalty at a seven-year low. The survey shows that in three employees, there is one person have an intention to leave his or her job by the end of the year. According to a 2011 Careerbuilder.com report, 76% of full-time workers, while not actively looking for a new job, would leave their current workplace if the right opportunity came along. Other studies proves that each year, the average company loses anywhere from 20% to 50% of its employee base.

In this situation, the role of an ethical-based leadership

becomes more and more important. When there is an ethical leader in the workplace, the code of ethics can be transmitted to all level of staffs and be incorporated in the everyday activities. However, there is still lack of the researches that analyze the relationship of ethical-based leadership toward employee loyalty under the mediator of ethical regulatory focus factor. Therefore, this research is conduct to fill this gap and the result can be apply in marketing agencies in Ho Chi Minh City to increase the loyalty of employees as well as code of ethics in the workplace.

II. LITERATURE REVIEW

A. Ethical Leadership

The study of ethical leadership has been conducted recently by numerous scholars in the field of organizational behavior and management with respect to its impact on individual, group and organizational outcomes. According to [6] and [7], leadership is influencing people to achieve common goals; ethical leadership is achieving those goals in a fair way and just to your employees, your customers, your suppliers, your communities, your shareholders, and yourselves. [8] has defined ethical leadership 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”. In other word, it focuses on social learning and moral management processes. Ethical leaders extend trust to their followers, creating the conditions necessary to empower employees, suppliers, and even customers to take the risks necessary to create game-changing innovations. Ethical leaders were seen as caring and people-oriented, open and communicative [9]-[11]. Ethical leaders make the decision based on the trustworthy and fairness, the benefit of other stakeholders as well as broaden society. Moreover, they set ethical standards as their life value, they behave ethically during their life time.

Reference [12] explained an ethical leader as person with “right values” and “strong character”, that is the mirror for others and withstand temptations. Ethical leaders clearly led the organization on ethics and values. In other words, they set the values, vision of the organization as their priority, achieve those goals without compromising their self-interest. They connect the goals of the organization with that of the internal employees and external stakeholders. [13] stated that ethical leaders are always making efforts to incorporate

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moral principles in their beliefs, values and behavior; they are committed to higher purpose, prudence, pride, patience, and persistence. They must be “capable of judging ambiguous ethical issues, viewing them from multiple perspectives, and aligning decisions with their own moral values” [14]. Moreover, they help give meaning to their employees’ work and ensure that organizational decisions are based on sound moral values [15].

Reference [16] identified six key attributes that characterized ethical leadership which includes character and integrity; ethical awareness; community/people-orientation; motivating; encouraging and empowering; and managing ethical accountability.

The relationship between ethical leadership and employee loyalty is also the topic of numerous researchers. Some of previous studies have shown that high levels of perceived ethical leadership behavior related to higher levels of employee organizational commitment [17]. According to [14], organizations offering ethical leadership behavior may trigger employee optimism, given that ethical leaders are honest, fair, trustworthy, and caring. In turn, employees are expected to develop a positive mood, which cause positive attitudes such as employee loyalty.

B. Transformational Leadership

According to [18], transformational leadership is the process by which leaders and followers cause each other to reach to higher levels of morality and motivation. Another researcher, [19] added to the initial concepts of [18] to help explain how transformational leadership could be measured, as well as how it impacts follower motivation and performance. He found out that the followers of such a leader feel trust, admiration, loyalty and respect for the leader and they are willing to work harder than originally expected. The employees can receive something more than just working for self-gain; they are inspired, motivated and identified by the leaders. Recently, [20] found that transformational leadership positively predict employees’ commitment to their own moral principles.

Although the question related to the relationship between ethics and transformational and charismatic leadership still remain, this research consider the view that transformational leadership, at least as conceptualized and measured by [21] does describe a leader with an ethical orientation.

According to [19], transformational leadership is comprised of five dimensions which are idealized influence (attribute and behavior), inspirational motivation, intellectual stimulation, and individualized consideration. However, in this study, the researcher just focus on the first three dimensions, the last two will be further researched in the future.

Idealized Influence (refer as charisma before) is described as the degree in which leaders are perceived as an inspiring role model [22]. According to [23], these leaders are admired, respected, and trusted; followers identify and pursue their leaders.

Idealized influence is closely associated with charisma [24]. Reference [25] believed that the idealized influence dimension positively affect the employee promotion focus which associated with the working toward desired outcomes. Idealized Influence was divided into two terms namely

idealized influence behavior and attributed.

Reference [26] stated that idealized influenced behavior involves behavior of leaders reflecting their values and beliefs as well as their ethical and moral position, their purpose and mission. In other word, it described the behavior includes talking about the most important values and beliefs of leaders, accentuate the collective mission and purpose, as well as considering the ethical implications of their decisions [27]. Moreover, [22] proposed that the leaders will exhibit excellent behavior and might sacrifice their own needs to improve the objectives of their workgroup in idealized influence behavior. When leaders display such behaviors, followers often reflect great admiration and loyalty back at them.

Considering idealized influence attributed, [26] claimed that it relate to follower perceptions of leader power, confidence and transcendent ideals. The followers identify with and emulate leaders seen to have attainable vision [28]. According to [22], in idealized influence attributed, leaders are perceived as trustworthy and worthy of respect. It also refers to whether or not the leader is seen as charismatic, powerful and confident and if the followers would like to be associated with their leader. [29] claimed that “Idealized Influence Attributes are positive personal characteristics of the leader that are socially constructed in leader – follower relationships.”

Inspirational Motivation is described leaders passionately communicating a future idealistic organization that can be shared [30]. It’s also a degree to which the leader articulates a vision that is appealing and inspiring to followers. Leaders strengthen followers by express the optimism in the future [31], and act in ways that motivate those around them by providing meaning and challenge to their followers’ work [23]. According to [29], “inspirational motivation involves the energy, initiative, persistence and vision that moves followers to achieve performance outcomes that exceed expectations and develops their leadership potential along the way”. The followers are willing to invest more effort in their work because they see how their work contributes toward achieving the vision, they are encouraged to believe in their abilities and feel optimistic about the future. According to [32], the envisioning and working toward a desirable achievement is highly correlated with a promotion focus because people who are promotion focused will focus on strategies that gain the desired outcomes. Besides, [25] proved that “through inspirational motivation leaders encourage followers to work toward an idealized future state, which is consistent with the promotion focus emphasis on ideals and working toward desirable goals”.

C. Ethic-Based Contingent Reward Leadership

In contrast to transformational leadership, transactional leadership is a leadership style that focuses primarily on economic exchanges between leaders and followers (Bass, 1998). Transactional leaders serve to clarify role and task requirements for subordinates in order to elicit adequate performance. It seeks to motivate followers by appealing to their own self –interest. Transactional leadership may take several forms, including the use of contingent reward, active management by exception, and passive management by exception. However, in the Full-range leadership model of

[33], there're only contingent rewards (of transactional leadership) and transformational leadership in the effective and active range. Moreover, this study considers more on ethical perspective, how those factors motivate ethical within employees; hence the author just focuses on the first dimension of transactional leadership which is contingent reward.

According to [34], contingent reward describes the degree in which the leader determines rewards in exchange with subordinates' efforts to do more than expected and satisfy organizational goals. Leaders must clarify the requirements for successful task performance and express recognition when goals are achieved. This includes praising workers for a job well done and promoting them for pay increases, bonuses, or promotions [19]. In other word, contingent reward includes setting clear work objectives and high standards of performance, providing feedback on progress towards them or achievement of them, articulating an inspiring and evocative vision, and exchanging rewards and recognition for followers' efforts and improvement [35].

Followers are motivated by the leaders' promises, praise, and rewards, or they are corrected by negative feedback, threats, or disciplinary actions. In contingent rewarding behavior leaders either make assignments or they may consult with followers about what is to be done in exchange for implicit or explicit rewards and the desired allocation of resources.

D. Ethical Regulatory Focus

The Regulatory Focus Theory states that there are two types of self-regulatory systems; a promotion focus concerning the advancement, growth and accomplishment, regulates behavior toward achievement striving and realizing the ideal self. In contrast, a prevention focus dealing with security, safety and responsibility, it regulates behavior toward avoidance of failure and realizing the ought self [36]. Both these systems are present within each individual at any point in time, yet one system dominates the other due to situational triggers [36] or a chronic tendency when strong situational signals are absent [37]. In addition, [36], [38] listed three factors differentiate promotion focus from prevention focus: needs, end states, and psychological situations. Moreover, [39] found that leaders can influence the regulatory focus of their followers, which will mediate different followers' outcomes. In summary, [36], [37] proposed the theory of regulatory focus based on individual differences in the focus on ideal and ought self-guides.

Extending the literature on regulatory focus in the field of organizational behavior, [40] admit that a regulatory focus which is particularly strong in the domain of ethics may be induced through conspicuous organizational cues on ethical issues induce. [40] claimed that ethics-based leadership is an important contextual influence on followers' ethical and unethical behavior.

Ethical promotion regulatory focus. Reference [40] defined an ethical promotion focus as "a psychological state that focuses on achieving moral ideals directed toward actions that are morally good although not required by social roles." Individuals who have high ethical promotion focus will be sensitive to the positive outcomes which related to ethical behaviors, they will attain the goals in ethical ways

and show willingness to take risk when facing ethical issues. In other words, the employee will conduct virtuous behavior to achieve their ideal moral self and satisfy their need for moral growth.

Ethical prevention regulatory focus. According to [40], ethical prevention focus is "a psychological state that focuses doing what one ethical ought to do or ought not to do (following laws, rules and regulations)" Different from ethical promotion regulatory focus, individuals who are in favor of ethical prevention regulatory focus will be sensitive to the negative outcomes associated with engaging in unethical behavior, they have a tendency to avoid blame and deny risk when facing an ethical issue on the way achieving goals. In other words, employees in an ethical prevention focus mind may consider the goal of not behaving unethically as "no-loss", so they believe that if they do not involve in unethical behavior, they would be able to meet more basic safety and security needs and avoid negatives outcomes.

E. Employee's Loyalty

"Loyalty, as a general term, signifies a person's devotion or sentiment of attachment to a particular object, which may be another person or group of persons, an ideal, a duty, or a cause. It expresses itself in both thought and action and strives for the identification of the interests of the loyal person with those of the object" [41].

Employee loyalty is defined in many different ways in previous research literature. Employee loyalty originated from customer loyalty, which scholars thought to be the foundation and driving force of a sustainably developing organization. Many researchers have discussed about the characteristics of a loyal employee for many years. Employee loyalty is an action-oriented concept since it deals with the behavior of the employees [42], [43]. This includes things such as whether or not employees are committed and assume personal responsibility for their work, and whether or not they feel inclined to look for another job.

According to [44], employee loyalty is an organizational citizenship behavior that reflects allegiance to the organization through the promotion of its interests and image to outsiders. Employees who engage in these loyalty behaviors act as advocates to consumers of the organization's products, services and image. [45] described employee loyalty as the commitment employees have to the success of an organization, and the recognition that working for that organization is their best option. It will be affected by how the employee identifies with the combination of culture, structure and leadership within that organization. In other word, employee loyalty is the extent to which the employees are faithful to the organization, having feelings of responsibility and devotion towards it and sacrifice for the good of the organization. It can also be described as the willingness to remain with the organization [46].

Reference [47] characterized the behaviors of employee loyalty by three related factors which are the strong belief and acceptance of the organization's goals and values, a willingness to exert considerable effort on behalf of the organization and a strong desire to maintain membership in the organization.

F. Research Hypotheses

In order to obtain all the objectives and further analyses, this study hypothesizes that:

H_{1.1}: Leaders' ethical inspiration motivation positively affects employees' ethical promotion.

H_{1.2}: Leaders' ethical behavior positively affects employees' ethical promotion.

H_{1.3}: Leaders' ethic-based contingent reward positively affects employees' ethical promotion.

H_{2.1}: Leaders' ethical inspiration motivation positively affects employees' ethical prevention.

H_{2.2}: Leaders' ethical behavior positively affects employees' ethical prevention.

H_{2.3}: Leaders' ethic-based contingent reward positively affects employees' ethical prevention.

H_{3.1}: Leaders' ethical inspiration motivation positively affects employees' loyalty.

H_{3.2}: Leaders' ethical behavior positively affects employees' loyalty.

H_{3.3}: Leaders' ethic-based contingent reward positively affects employees' loyalty.

H_{4.1}: Employees' ethical promotion positively affects their loyalty.

H_{4.2}: Employees' ethical prevention positively affects their loyalty.

H_{5.1}: Leaders' ethical inspiration motivation indirectly affects employees' loyalty.

H_{5.2}: Leaders' ethical behavior indirectly affects employees' loyalty.

H_{5.3}: Leaders' ethic-based contingent reward indirectly affects employees' loyalty.

III. METHODOLOGY

A. Questionnaire Design and Data Collection

This research primarily follows the quantitative approach. The paper questionnaires were distributed to 283 employees work at marketing agencies in Ho Chi Minh City.

In this study, the questionnaire is designed based on the conceptual framework and on the pilot study to gather information from marketing agencies' staffs. It will include 2 parts: personal information and factors in the model. Each item is rated on a five-point Likert-type scale. In the first part, 1 is "strongly disagreed", 2 is disagree, 3 is neutral, 4 is agree and 5 is "strongly agreed. However, in the second part, the scale is from 1 "never seen" to 5 "very often" to search for the frequency of employee rating to his/her manager.

B. Factor Analysis and Reliability

The results of EFA showed that 26 items of independent variables were reduced to 23 items and divided into three new groups which were INSPIMOT (inspirational motivation), ETLEAD (ethical leadership) and ETCORELE (ethic-based contingent reward leadership). They has the KMO measure of sampling adequacy equal to .941, higher than .6 and the significance level of Bartlett's Test equals .000 which is less than .05. They explained 60.623% of total variance. Besides, conducting factor analysis for dependent variables gave the KMO measure of sampling adequacy equal to .888, Bartlett's Test significance level

equals .000, the percentage of Total variance explained is 63.242%. Therefore, the data was appropriate use for further analysis.

TABLE I: SUMMARY OF INDEPENDENT VARIABLES

Given Names	Number of Items	Alpha
Ethical Inspiration Motivation (INSPIMOT)	9	.917
Leaders' Ethical Behavior (ETLEAD)	9	.908
Ethic-Based Contingent Reward (ETCORELE)	5	.802

According to Table I, the Cronbach's Alpha of independent variables are pretty high (the lowest is ETCORELE with .802). The highest is INSPIMOT with Cronbach's coefficient equals .917. This has proved that the items were consistent internally and established well. The Table II below showed the level of internal consistency of the dependent variables demonstrated by the Cronbach's Alpha of EMLOY, EMEPRO, EMEPRE, which equal .855, .818, .721 respectively.

TABLE II: SUMMARY OF DEPENDENT VARIABLES

Given Names	Number of Items	Alpha
Employee Loyalty (EMLOY)	5	.855
Employee Ethical Promotion (EMEPRO)	5	.818
Employee Ethical prevention (EMEPRE)	3	.721

IV. RESEARCH FINDINGS

A. Profile of Consumer Involved in the Study

TABLE III: CONSUMER PROFILES (N=283)

	Frequency	Percentage
Gender		
Male	104	36.7
Female	179	63.3
Total	283	100.0
Age		
<18	1.4	.4
18-25	147	51.9
26-30	108	38.2
31-40	23	8.1
41-50	4	1.4
Total	283	100.0
Education level		
High school	5	1.8
College	28	9.9
University	233	82.3
Post graduate	17	6.0
Total	283	100.0
Working experience		
<1 year	74	26.1
under 3 years	106	37.5
under 7 years	71	25.1
7- under 10 years	15	5.3
over 10 years	17	6.0
Total	283	100.0

B. Correlation between Ethics-Based Leadership, Ethical Regulatory Focus and Employee's Loyalty

In the correlation test, the Pearson Correlation and significance level should be considered. Table IV showed the results of correlation coefficients which indicated that there were significant relationships between the dependent variable, EMLOY, and the independent variables: INSPIMOT ($r = .562, p < .05$), ETLEAD ($r = .691, p < .05$), ETCORELE ($r = .496, p < .001$), EMEPRO ($r = .558, p < .05$)

and EMEPRE ($r = .545, p < 0.5$). This means that the better the inspirational motivation, ethical leadership, ethic-based contingent reward leadership, employee ethical promotion and employee ethical prevention, the higher level of loyalty the employee felt.

TABLE IV: DESCRIPTIONS AND VARIABLES' CORRELATIONS

	EMLOY	1	2	3	4
1. INSPIMOT	.562*				
2. ETLEAD	.691*	.749*			
3. ETCORELE	.496*	.650*	.635*		
4. EMEPRO	.558*	.495*	.502*	.584*	
5. EMEPRE	.545*	.274*	.366*	.300*	.501*
Mean	4.00	3.55	3.91	3.59	3.86
SD.	.715	.715	.648	.653	.659

*. Correlation is significant at the .005 level

C. Factors Directly Affect Employee's Loyalty

TABLE V: SUMMARY OF HYPOTHESIS TESTINGS

EFFECTS OF ETHIC-BASED LEADERSHIP ON EMEPRO			
Variables	Standard ized Beta	P. value	Results
INSPIMOT => EMEPRO	.107	.161	(H _{1.1} : Rejected)
ETLEAD => EMEPRO	.159	.034	(H _{1.2} : Accepted)
ETCORELE => EMEPRO	.414	.000	(H _{1.3} : Accepted)
ANOVA: F (3, 279) = 55.674, Sig. =000, $p < .005, R^2 = .374$			
EFFECTS OF ETHIC-BASED LEADERSHIP ON EMEPRE			
Variables	Standard ized Beta	P. value	Results
INSPIMOT => EMEPRE	-.052	.561	(H _{2.1} : Rejected)
ETLEAD => EMEPRE	.324	.000	(H _{2.2} : Accepted)
ETCORELE => EMEPRE	.128	.095	(H _{2.3} : Rejected)
ANOVA: F (3, 279) = 15.459, Sig. =000, $p < .005, R^2 = .143$			
EFFECTS OF ETHIC-BASED LEADERSHIP ON EMLOY			
Variables	Standard ized Beta	P. value	Results
INSPIMOT => EMLOY	.071	.303	(H _{3.1} : Rejected)
ETLEAD => EMLOY	.590	.000	(H _{3.2} : Accepted)
ETCORELE => EMLOY	.075	.206	(H _{3.3} : Rejected)
ANOVA: F (3, 278) = 87.149, Sig. =000, $p < .005, R^2 = .485$			
THE EFFECTS OF EMEPRO AND EMEPRE ON EMLOY			
Variables	Standard ized Beta	P. value	Results
EMEPRO => EMLOY	.381	.000	(H _{4.1} : Accepted)
EMEPRE => EMLOY	.354	.000	(H _{4.2} : Accepted)
ANOVA: F (2, 279) = 95.263, Sig. =000, $p < .005, R^2 = .406$			

1) Ethics-based leadership and employee ethical promotion

The multiple regression was conducted to test hypothesis 1. According to the result in Table V, two out of three independent variables of this research had positively effect on employee ethical promotion (EMEPRO). Those are ethical leadership (ETLEAD) with ($\beta = .159, p < .05$) and ethical contingent reward leadership (ETCORELE) with ($\beta = .414, p < .05$). So the hypothesis H1.2 and H1.3 were accepted. This explained that the ethic-based contingent reward leadership made the strongest influence on the employee ethical promotion.

The R Square is .374, which means that 37.4% of the dependent variable (EMEPRO) is explained by the independent variables (INSPIMOT, ETLEAD, ETCORELE).

2) Ethics-based leadership and employee ethical prevention

Hypothesis 2 was tested by conducting multiple

regression. From Table V, the R square equals 0.143, which indicates that the independent variables including ETCORELE, ETLEAD, INSPIMOT just explain 14.3% of the dependent variable (EMEPRE). The results indicated that among three variables including INSPIMOT ($\beta = -.052, p > .05$), ETLEAD ($\beta = .324, p < .05$) and ETCORELE ($\beta = .128, p > .05$), there is only one factor (ETLEAD) contribute to the dependent variable EMETPRE. Therefore, ETLEAD is considered as the most important factor has an impact on EMEPRE. The hypothesis H2.2 was accepted.

3) Ethics-based leadership and employee's loyalty

Hypothesis 3 was tested by multiple regression. Table V with effects of ethic-based leadership on employee's loyalty gave the R square equals 0.485. This has a meaning that there is 48.5% of the dependent variable (EMLOY) is explained by Independent variables (INSPIMOT, ETLEAD, ETCORELE). The results showed that there was only one out of three independent variables of this research indicated directly effects on EMLOY, which was ETLEAD with the Standardized Coefficients $\beta = .590$, Unstandardized Coefficients $\beta = .650$ and the significance level at .000 (less than .050). Therefore, ETLEAD is considered as the most important factor has an impact on employee loyalty (EMLOY). This means that the leader who concerned more about ethics in their leadership styles will increase the loyalty of their employee.

4) Employee ethical regulatory and employee's loyalty

The multiple regression was conducted to test hypothesis 4. The results showed that employee ethical promotion (EMEPRO) with ($\beta = .381, p < .05$) and employee ethical prevention (EMEPRE) with ($\beta = .354, p < .05$) have the strong positive effect on employee loyalty (EMLOY) which was a dependent variable in the model. The R square value equals .406, which represented that the independent variables (EMEPRO, EMEPRE) explain 40.6% of independent variable (EMLOY). This implies that the employee who had more ethical regulatory focus will be more loyal to their organization.

D. Indirect Effects toward Employee's Loyalty

The indirect effect of an independent variable on the dependent variable through the moderating variable was the total product of the effects of that independent variable on the moderating variable and the effect of the moderating variable on the dependent variable of employees' loyalty [58].

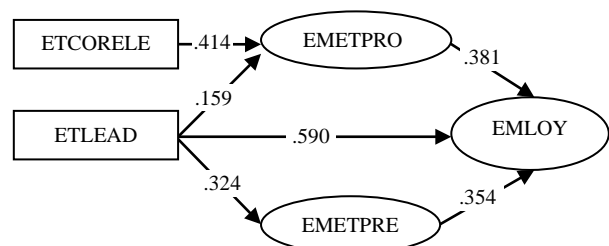


Fig. 1. Path diagram of employees' loyalty model with significant effect coefficients.

Note: All coefficients were significant at the .05 level.

E. Significance of the Indirect Effects

Table VI shows the results of the bootstrapping method

recommended by [49] to test the significance of indirect effects or mediations. The output provided the bootstrapped confidence intervals (at the 95%). If there is a ZERO (0) lies within the interval range between the lower boundary (LL) and the upper boundary (UL), then we can conclude that, with 95% confidence, there is no mediation or indirect effect. On the other hand, if zero does not occur between the LL and the UL, then we can conclude that, with 95% confidence, the mediation or indirect effect is significant [50]. As can be seen in the output of Table VI, the indirect effects of INSPIMOT and ETLEAD on EMLOY through the mediation of EMEPRO were estimated to lie between .0326 (LL) and .1216 (UL) and .0048 (LL) and .0602 (UL) with 95% confidence, respectively. In addition, the indirect effects of ETLEAD on CUSLOY through the mediation of EMEPRE was estimated to lie between .0513 (LL) and .1537 (UL) with 95% confidence. Because zero is not in the 95% confidence interval, we can conclude that the indirect effects of INSPIMOT and ETLEAD on CUSLOY were indeed significantly different from zero at $p < .05$ (two tailed) and the mediations of EMEPRO and EMEPRE in this study were true.

TABLE VI: DIRECT, INDIRECT, AND TOTAL CAUSAL EFFECTS

Variables	Causal Effects			LL	UL
	Direct	Indirect	Total		
ETCORELE	----	.158	.158	.0326	.1216
ETLEAD	.590	EMEPRO: .061	.766	.0048	.0602
		EMEPRE: .115		.0513	.1537
EMEPRO	.381	----	.381		
EMEPRE	.354	----	.354		
TOTAL	1.325	.334	1.659		

V. DISCUSSION AND IMPLICATIONS

A. Discussion

Based on the results, both ETCORELE and ETLEAD had direct effects on EMEPRO; whereas EMEPRE was only directly affected by ETLEAD. This result also reflects the reality that the leader who are more ethical and reward fairly may affect their employee to behave ethically with promotion or prevention attitude.

The factor that had the strongest impact on EMEPRO was ETCORELE with $\beta = .414$. However, in the previous research, there is no relationship between ethic-based contingent reward leadership and employee ethical prevention. In contrast, it related to employee ethical prevention. Therefore, further research should be conducted to investigate more on this relationship. In other hand, the relationship between ethic-based contingent reward leadership and employee ethical promotion is also validated and makes sense in the context. Because contingent rewards tend to be positive motivators to employees' ethical behaviors rather than a negative discouragement for unethical conducts. In other words, employees are promoted to behave ethically because the possibility of being recognized and awarded, rather than being discouraged by the fear of not having the reward. The emphasis on praise and rewards is consistent with promotion orientation more than a prevention orientation. Being fairly treated in the

organization is very crucial to keeping employees, which is why contingent reward is closely correlated ethical compliance [40].

While ethic-based contingent rewards, as expected, influence employee loyalty via ethical promotion, ethical leadership was positively related to employees' ethical promotion and prevention and ultimately to employee loyalty. This result is consistent with previous in depth research on ethical behaviors [25] and it is also reasonable in common sense. Firstly, people with ethical leadership style play an important role in being a model of virtuous behaviors and have a tendency to suggesting policies, rewards and punishment mechanism to promote ethics and discourage unethical behaviors in the organization. As [48] once noted: "The spirit of morality is awakened in the individual only through the witness and conduct of a moral person". This study provides evidence to support the importance of leaders' inspiration in shaping employees' ethical perspective. Through being an ethical model and having a fair reward system, the manager can promote their subordinates to work towards an idealized future state or desirable goals, of which being an ethical employee is expected from the manager. Employees tend to be more persuaded to act virtuously by looking up to their supervisors as an exemplary individual rather than be encouraged by promotion and prevention, thus, the direct influence is more significant than the indirect ones.

B. Implications

It goes without saying that marketing is considered to be unethical by some people as it creates the appeal for customers to buy products that they do not really need, so people who work in marketing agencies can feel a sense of social pressure created from other people's judgment and discrimination, which negatively affect their loyalty. Therefore, the urgent need really exists to make the organization look or become more ethical by manipulating internal policies and leadership style if they want to keep employees for long term. From the results of the study, we know the mechanism by which leaders' ethical behaviors and ethical regulatory focus influence employee loyalty, which can provide a foundation for creation and implementation of various corporate strategies with the ultimate purpose to keep company's talents pool intact and make employees more committed to the organizations. Those implications are drawn to make changes to different aspects of the business from leaders to company policies, which can be applied by not only the leaders themselves but also corporate strategic consultants.

Firstly, the organization must appreciate the important role of ethic-based leadership. The role of the leader is very crucial within the company since they are the people who will lead each department as well as the whole staffs to achieve a common goal. The findings show that there is a relationship among ethical leadership, ethic-based contingent reward leadership and employee loyalty. Therefore, the company has to maintain high ethical standards inside the company. Specifically, the organizations must establish a clear, specific standard of ethical values, attitudes and behaviors. A well-written code of ethics can capture the organization understands ethical

behavior to mean – your values statement, it can set a detail guide to acceptable behavior, it also state policies for behavior in specific situations. Moreover, the hiring of an ethics officer represents a formal commitment to the management and leadership of an organizations' ethics program. The organization can celebrate examples of good ethical behavior in the company newsletter.

Next, the leaders must consider ethical leadership as the key aspect of their role, how they can proactively promote ethical behavior and prevent unethical behavior in organizations. In fact, one key to changing employee attitudes and behaviors is to be the best example, because employees who see corporate leaders model appropriate ethical behavior are more likely to emulate it themselves, and ensure that co-workers do likewise. The leaders should conduct their personal life in an ethical manner. Moreover, the leaders must build an environment of trust with employees in order to encourage the employees to feel free to discuss ethical dilemmas and issue with management; establish a shared ethical vision and communicate the ethical vision as well as code of conduct through some ways such as using the policy manuals, training events, one-on-one or team coaching, newsletters, team meetings,... The leaders are required to welcome to receive all the feedbacks or comments. In other words, they must listen to what the employees say. Employees can play a critical role in reporting unethical behavior; however, it is not easy to maintain an ethical culture if employees do not think that their voices will be heard. That's why it is necessary for the leaders to be trained to investigate ethics complaints and follows up on them.

Besides, the leader might utilize the ethical contingent reward behaviors to enhance the followers' ethical promotion orientation as well as ethical prevention orientation. Nowadays, the fair treatment is considered to be one of the most important factors that employees care. The employees are more motivated when what they do are recognized and rewarded. Therefore, the leaders should make an effort to recognize positive ethical behavior and reward them through some tools such as incentives, commissions or monetary bonuses. It is quite important to have the award prizes for new and creative ideas, the outcome will become better if the employees can choose the reward. Those contingent reward behaviors focus on obligation and task requirements may increase employee ethical prevention focus.

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