

## Predicting Employees' Trust and Organizational Commitment Based on the Ethical Leadership Style

Nastiezaie N., Bameri M. and Salajage S.

Department of Educational Planning and Administration, Faculty Education and Psychology,  
University of Sistan and Baluchestan, Zahedan, Iran

**Abstract:** The present study aimed to predict trust and organizational commitment among employees of Iranshahr Faculty of Medical Sciences according to the ethical leadership style. This descriptive study followed a correlational design. Using stratified random sampling method, 341 employees of Iranshahr Faculty of Medical Sciences were studied through applying three questionnaires on ethical leadership organizational trust and organizational commitment. To analyze the obtained data, Pearson correlation coefficient and simultaneous regression analysis were used via SPSS v.21. According to the results, the correlation coefficients of ethical leadership and dimensions of people orientation, fairness, power sharing, ethical guidance, role clarification and integrity with organizational trust were respectively 0.725, 0.497, 0.376, 0.444, 0.378, 0.471 and 0.426 ( $p < 0.01$ ). Moreover, the results of multiple regression analysis revealed that people orientation with a beta-value of 0.293, role clarification with a beta-value of 0.259, fairness with a beta-value of 0.23, integrity with a beta-value of 0.196, power sharing with a beta-value of 0.126 and ethical guidance with a beta-value of 0.108 had the highest power to predict organizational trust. Additionally, the correlation coefficients of ethical leadership and dimensions of people orientation, fairness, power sharing, ethical guidance, role clarification and integrity with organizational commitment were respectively 0.807, 0.524, 0.291, 0.564, 0.441, 0.505 and 0.566 ( $p < 0.01$ ). The results of multiple regression analysis indicated that integrity with a beta-value of 0.352, power sharing with a beta-value of 0.292, people orientation with a beta-value of 0.284 and role clarification with a beta-value of 0.263 had the highest power to predict organizational commitment. Therefore, it can be concluded that the more and the better managers apply the ethical leadership style, such that they demonstrate more people orientation, fairness, power sharing, ethical guidance, role clarification and integrity in their behaviors, actions, and leadership style, the more their employees' trust and organizational commitment increase.

**Key words:** Ethical leadership, organizational trust, organizational commitment, power, action

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### INTRODUCTION

One of the relatively new leadership styles that have attracted considerable attention in the realm of global research is ethical leadership. Several theorists have explained and interpreted the ethical leadership from various perspectives. Considering the social learning perspective, some scientists, like Brown defined this form of leadership as a type of leadership that is based on rules and normative values which can be realized in the organizational atmosphere through actions, measures, decisions and executive practices used to reward and punish ethical and unethical behaviors. Other researchers, including Rowold and Zao, used an approach which overlaps with that considered by Brown indicated that ethical leadership has features which clarify the impact of this leadership style on the employees' perception. Golparvar summed up the proposed ideas associated with the impact of ethical leadership and introduced some features, including honesty in interactions and

relationships, creating a reliable working environment, observing justice and fairness in the leadership and staff and organization management, paying enough attention to employees and conducting ethical behaviors and values and applying executive mechanisms to reinforce moral and valuable behaviors as the most significant characteristics of an ethical leader. However, it can be considered that ethical leadership is a type of leadership that needs to develop ethical standards and manage employees' behaviors. This type of leadership deals with implementing ethical standards. The defined ethical leadership is indeed an attempt to promote fairness (showing respect to others and combining skills such as honesty, trustworthiness, credibility, intimacy, mutual relationship, democratic decision-making, supporting partnership and sympathy). The mentioned concept means having moral values and putting those values into action (Yilmaz, 2010).

With respect to various dimensions of ethical leadership, Den Hartog and De Hoogh initially introduced

fairness, power sharing and role clarification as dimensions of ethical leadership. In this regard, Brown added ethical guidance, integrity, concern for sustainability and people orientation to the mentioned dimensions. Yukl considered applying the power and influence of the leader, behavioral integrity, allowing employees to express dissenting opinions, showing confidence, attempting to improve the employees and formatting functions in moral terms as the main criteria of ethical leadership. Moreover, Bernardin stated that human integrity, justice, common interest, integration and the selection of poor people are dimensions of ethical leadership. Kalshoven *et al.* (2011) mentioned that power sharing, ethical guidance, people orientation and role clarification which are all considered in the current study are the main dimensions of ethical leadership. Power sharing means that ethical leaders allow their followers to propose their ideas and they listen to their ideas and concerns. Ethical guidance means that the leaders guide their employees based on ethical principles which are in compliance with humanitarian principles and avoid using force. People orientation means that the leaders show respect to others and pay great attention to a combination of skills including honesty, trustworthiness, credibility, intimacy, mutual relationship, democratic decision-making, supporting partnership and sympathy. Role clarification means that the leaders explicitly clarify roles and duties of each employee and clearly state their expectations from their employees.

Among the expected consequences of applying ethical leadership is the spread of the atmosphere of trust in the workplace. Trust has been defined in many different ways. As an instance, Rousseau defined trust as a psychological state that includes the intention to accept vulnerability based on positive expectation of the behavior of another partner. On the other hand, according to Najafabadi and Jahangir (2012), trust is a mental state based upon which a person believes in another person and can be examined through using indicators such as honesty, benevolence and competence. In the present study, trust was considered as one's expectations, assumptions and/or beliefs in relation to the possibility that his/her counterparties' future actions will be useful, desirable and without any self-interest and opportunism (Robinson, 1996). Trust refers to the interpersonal trust among managers, teachers, students and their parents. It should be admitted that trust cannot be created spontaneously and on its own and it requires various mechanisms. As an example, McCauley and Kuhnert (1992) found that job-related variables such as participation in decision-making, independency, feedback,

supervisor's supportive behavior and interactions can significantly enhance the level of trust in the management. Through paying attention and showing respect to their followers, leaders can create trust in mutual interactions. Yilmaz (2010) stated that some organizational factors including successful evaluation of employees through applying modern methods, having a fair reward system, providing regular and timely feedback to the employees and some individual factors including having tendency towards relying on values, habits and behaviors are among factors affecting the development of organizational trust. Nadi *et al.* (2010) believed that conducting the following measures by managers can aid them to maintain and develop trust in an organization: behavioral consistency; being reliable considering previous actions and behaviors; behavioral integrity: consistency of what a manager says and what he/she does; sharing and granting control: the extent a manager participate the employees; communications: providing accurate information, justifying decisions and openness are three communicative factors that aid employees to perceive their manager's reliability; showing concern: paying attention to the employees through considering their needs is an indicator of a manager's reliable behavior. Nyhan (2000) considered employees' participation in decision-making, giving feedback to the employees and getting feedback from them and empowering employees as the essential activities needed to increase trust in the organization.

Another expected outcome of using the ethical leadership style is the expansion of employees' organizational commitment. The significance of the human factor and its unique role as a strategic source for designing and implementing organizational processes in systems have reached a great status; to the extent that in the modern corporate thinking, the human being is regarded as the most important resource and asset for an organization and the more and the better the quality of this capital, the higher the possibility of success, survival and development. One of the most important attitudes towards this great capital is organizational commitment. Organizational commitment can be defined as a belief in an organization's values and goals, a sense of loyalty to the organization having moral obligations and having an inner desire and need to stay in the organization (Madani and Zahedi, 2005). In addition, scheldon defined organizational commitment as an attitude that associates or affiliates one's identity to an organization (Yosefi *et al.*, 2008). Organizational commitment does not merely stem from people's beliefs but also depends on their action (Rezaeyan and Keshtegar, 2008). Various

reasons can be mentioned that why organizations should increase their employees' organizational commitment. First, organizational commitment is a relatively new concept and it differs from dependency and job satisfaction. Second, previously conducted studies have indicated that organizational commitment is correlated with a series of outcomes such as job satisfaction, presence, performance and turnover (Hoseyni and Ashrafzade, 2010).

In the same line, a study conducted by Ismail and Daud (2014) indicated that the ethical leadership can significantly and positively increase school employees' organizational commitment. They concluded that school managers should apply the ethical leadership style which not only increases their employees' organizational commitment but also provides the grounds for improving organizational performance. Another study carried out by Ugurlu and Ustuner showed that ethical leadership and organizational justice were significantly and positively related to teachers' organizational commitment such that increasing ethical leadership and organizational justice in schools leads to a remarkable increase in organizational commitment. Bello (2012) found that ethical leadership was significantly and positively related to employees' job performance. Erat *et al.* (2012) demonstrated that organizational trust and organizational support were positively correlated with job performance and were negatively related to turnover. Kalshoven *et al.* (2011) showed that ethical leadership play a key role in promoting the performance of an organization and improving organizational behavior. Stouten *et al.* (2012) revealed that ethical leadership can expand mental health in the workplace.

Now a days, the necessity of applying ethical issues, due to their positive consequences has been doubled in all organizations. In this regard, the current study aimed to examine the relationship of the ethical leadership style with trust and organizational commitment among employees of Iranshahr Faculty of Medical Sciences. Lack of conducting such studies in Iranshahr Faculty of Medical Sciences encouraged the authors to conduct this study to present findings based on which the required recommendations could be proposed to the authorities of this faculty. To this end, the main objective of the present study was to examine the relationship of the ethical leadership style with trust and organizational commitment among employees (males and females) of Iranshahr Faculty of Medical Sciences. Therefore, this study sought to answer the following question: How is the ethical leadership style related to trust and organizational commitment among employees of Iranshahr Faculty of Medical Sciences?

#### **Research questions:**

- Are ethical leadership and its dimensions (fairness, power sharing, ethical guidance, people orientation, role clarification and integrity) correlated with organizational trust among the employees of Iranshahr Faculty of Medical Sciences?
- What is the contribution of each dimension of ethical leadership towards predicting organizational trust?
- Are ethical leadership and its dimensions (fairness, power sharing, ethical guidance, people orientation, role clarification, and integrity) correlated with organizational commitment among the employees of Iranshahr Faculty of Medical Sciences?
- What is the contribution of each dimension of ethical leadership towards predicting organizational commitment?

#### **MATERIALS AND METHODS**

The method of this study was descriptive-correlational (regression). The statistical population included all employees of Iranshahr Faculty of Medical Sciences in 2015 whom were 3000 individuals (1400 males and 1600 females). Using stratified random sampling method and considering the sample size and the result of Cochran's sample determination formula, 341 employees (159 males and 182 females) were studied as the sample. To collect data, three questionnaires were applied

**Kalshoven *et al.* (2011) ethical leadership scale:** This scale examines the ethical leadership style in terms of 35 items and 6 dimensions including people orientation (items 1-7), fairness (items 8-13), power sharing (items 14-19), ethical guidance (items 20-26), role clarification (items 27-31) and integrity (items 32-35). This inventory is developed based on a 5-point Likert type scale (ranging from 1 = strongly disagree to 5 = strongly agree). In this inventory, the minimum score is 35 and the maximum score is 175. Closer test scores to 175 indicate more appropriate application of the ethical leadership style in an organization.

**The Linz organizational commitment questionnaire in 2007:** This 7-item questionnaire was developed to measure organizational commitment among employees. This questionnaire was designed based on 5-point Likert type scale (ranging from 1 = strongly disagree to 5 = strongly agree). In this questionnaire, the minimum score is 7 and the maximum score is 35. Closer test scores to 35 indicate higher levels of organizational commitment.

**Kanavatachay and Yu organizational trust questionnaire in 2002:** This 12-item questionnaire was developed to

examine organizational trust. This questionnaire was designed based on 5-point Likert type scale (ranging from 1 = strongly disagree to 5 = strongly agree). The higher scores show the spread of trust in an organization and vice versa.

To determine the validity of these questionnaires, content validity was used. In this regard, these questionnaires were confirmed by faculty members of Department of Management in University of Sistan and Baluchestan and it was assured that these questionnaires measure the considered variables and are valid. To examine the reliability of these questionnaires, Cronbach's alpha coefficient was applied, the results of which related to the ethical leadership scale, organizational commitment questionnaire and organizational trust questionnaire were respectively 0.91, 0.87 and 0.83. These coefficients indicate that the applied questionnaires have desirable reliabilities. To analyze the obtained data, Pearson correlation coefficient and simultaneous regression analysis were used via SPSS v.21.

**RESULTS**

**First research question:** Are the ethical leadership style and its dimensions correlated with employees' organizational trust? The results of Pearson correlation coefficient are presented in Table 1.

The results presented in Table 1 indicate that the correlation coefficients of the ethical leadership style and all its dimensions with organizational trust are positive and significant ( $p < 0.01$ ); therefore, the existence of a positive and significant relationship between the ethical leadership style and organizational trust is confirmed. This means that the more and the better a manager applies the ethical leadership style, the more the organizational trust increases.

**Second research question:** What is the contribution of each dimension of ethical leadership towards predicting organizational trust? To answer this research question, simultaneous multivariate regression analysis was applied, the results of which are presented in Table 2.

Based on the results presented in Table 2, the amount of multiple correlation coefficient ( $r$ ) is 0.731 and Adjusted  $R^2$  is 0.535, i.e., 53.5% of the variance in the criterion variable (organizational trust) can be explained by the entered predictor variables and the rest is related to other variables that were not considered in this study. Moreover, considering the significance of the beta coefficients, the null hypothesis, i.e., the betacoefficient is equal to zero is rejected with a 99% confidence interval. Among dimensions of ethical leadership, people orientation with a beta-value of 0.293, role clarification

Table 1: Correlation coefficients of ethical leadership (and its dimensions) with organizational trust

Variables	Organizational trust	
	R	Sig.
People orientation	0.497	0.000
Fairness	0.376	0.000
Power sharing	0.444	0.000
Ethical guidance	0.378	0.000
Role clarification	0.471	0.000
Integrity	0.426	0.000
Ethical leadership	0.725	0.000

Table 2: A summary of the results of regression analysis conducted to predict organizational trust based on the dimensions of ethical leadership

Variables	Non-standardized coefficients		Standardized coefficients		
	B	SE	Beta	t-values	Sig.
Constant	-1.316	0.354	-	-3.716	0.000
People orientation	0.319	0.044	0.293	7.246	0.000
Fairness	0.294	0.053	0.230	5.531	0.000
Power sharing	0.194	0.068	0.126	2.843	0.005
Ethical guidance	0.201	0.092	0.108	2.187	0.029
Role clarification	0.261	0.041	0.259	6.407	0.000
Integrity	0.198	0.050	0.196	3.964	0.000

$r = 0.731$ ; Adjusted  $R^2 = 0.535$ ;  $F = 63.949$ ; Sig. = 0.000

Table 3: Correlation coefficients of ethical leadership (and its dimensions) with organizational commitment

Variables	Organizational commitment	
	R	Sig.
People orientation	0.524	0.000
Fairness	0.291	0.000
Power sharing	0.564	0.000
Ethical guidance	0.441	0.000
Role clarification	0.505	0.000
Integrity	0.566	0.000
Ethical leadership	0.807	0.000

with a beta-value of 0.259, fairness with a beta-value of 0.23, integrity with a beta-value of 0.196, power sharing with a beta-value of 0.126 and ethical guidance with a beta-value of 0.108, respectively have the highest power to predict organizational trust.

**Third research question:** Are the ethical leadership style and its dimensions correlated with employees' organizational commitment? The correlation coefficients of variables considered in this research question are presented in Table 3.

The results presented in Table 3 demonstrate that the correlation coefficients of the ethical leadership style and all its dimensions with organizational commitment are positive and significant ( $p < 0.01$ ); therefore, the existence of a positive and significant relationship between the ethical leadership style and organizational commitment is confirmed. This means that the more and the better a manager applies the ethical leadership style, the more the employees' organizational commitment increases.

Table 4: A summary of the results of regression analysis conducted to predict organizational commitment based on the dimensions of ethical leadership

Variables	Non-standardized coefficients		Standardized coefficients		
	B	SE	Beta	t-values	Sig.
SConstant	-1.603	0.295		-5.43	0.000
People orientation	0.31	0.037	0.284	8.454	0.000
Power sharing	0.453	0.057	0.292	7.961	0.000
Role clarification	0.265	0.034	0.263	7.817	0.000
Integrity	0.357	0.042	0.352	8.577	0.000

r = 0.824; Adjusted R<sup>2</sup> = 0.68; F = 118.155; Sig. = 0.000

**Fourth research question:** What is the contribution of each dimension of ethical leadership towards predicting organizational commitment? To answer this research question, simultaneous multivariate regression analysis was applied, the results of which are presented in Table 4.

Based on the results presented in Table 4, the amount of multiple correlation coefficient (r) is 0.824 and Adjusted R<sup>2</sup> is 0.68, i.e., 68% of the variance in the criterion variable (organizational commitment) can be explained by the entered predictor variables and the rest is related to other variables that were not considered in this study. Moreover, considering the significance of the beta coefficients, the null hypothesis, i.e., the beta coefficient is equal to zero is rejected with a 99% confidence interval. Among dimensions of ethical leadership, integrity with a beta-value of 0.352, power sharing with a beta-value of 0.292, people orientation with a beta-value of 0.284 and role clarification with a beta-value of 0.263 have respectively the highest power to predict organizational commitment.

The results obtained from this study indicated that the ethical leadership style and its dimensions were correlated with organizational trust. Moreover, people orientation, role clarification, fairness, power sharing and ethical guidance were able to predict organizational trust. To explain these results, it can be mentioned that the more and the better managers use the ethical leadership style, such that they demonstrate more people orientation, role clarification, fairness, power sharing, ethical guidance, and integrity in their behaviors, actions and leadership style, correspondingly, the more the employees' organizational trust increases. This finding (the relationship between ethical leadership and organizational trust) is in line with the results obtained from previously conducted studies. As an instance, Rouzbahani *et al.* (2013) showed that the ethical leadership style was significantly and positively related to employees' organizational trust and organizational commitment. Additionally, Van den Akker *et al.* (2009) in separate studies, found a significant positive relationship

between ethical leadership and organizational trust. They concluded that the expansion of the atmosphere of trust is the most important consequences of applying the ethical leadership style in various organizations.

Other findings of this study revealed that the ethical leadership style and its dimensions were correlated with organizational commitment. Moreover, integrity, power sharing, people orientation and role clarification were able to predict organizational commitment. To explain these results, it can be stated that the more and the better managers use the ethical leadership style, such that they demonstrate more people orientation, role clarification, fairness, power sharing, ethical guidance and integrity in their behaviors, actions and leadership style, correspondingly, the more the employees' organizational commitment increases. This finding (the relationship between the ethical leadership style and organizational commitment) is consistent with the results obtained from previously conducted studies. As an instance, Ismail and Daud (2014) indicated that ethical leadership can significantly and positively increase employees' organizational commitment. They concluded that managers should apply the ethical leadership style which not only increases the employees' organizational commitment but also provides the grounds for improving organizational performance. Ugurlu and Ustuner showed that ethical leadership and organizational justice were significantly and positively related to organizational commitment such that increasing ethical leadership and organizational justice in an organization leads to a remarkable increase in organizational commitment. Van den Akker (2009) conducted a study entitled "Leadership Ethics and Organizational Commitment" and indicated that employees' perception of their leader's moral values had a potential impact on the level of employees' organization commitment. Ponnu and Tennakoon (2009) in a study, aimed to examine the relationship between ethical leadership and employees' organizational commitment in Malaysia found that ethical leadership was significantly and positively related to employees' organizational commitment. This means that employees' organizational commitment increased with regard to the level of the ethical leadership style applied in the organization.

**CONCLUSION**

Overall, it can be stated that leaders gain trust and loyalty of their followers through their commitment to ethical behaviors, putting an emphasis on the importance of ethics and applying reinforcements to encourage desirable behaviors. Leaders as models for their followers,

play a significant moral role and thus provide the ground for promoting their employee's level of trust and organizational commitment. Since only self-report questionnaires were used to evaluate the variables under study and given the fact that the sample of this study only included employees of Iranshahr Faculty of Medical Sciences, cautious should be taken when generalizing these results to other employees and organizations.

### RECOMMENDATIONS

Given the positive and significant relationship of the ethical leadership style with trust and organizational commitment, the following recommendations were provided for managers.

Regarding the significant relationship of role clarification with trust and organizational commitment, it is highly suggested that through clarifying employees' duties and the organization's objectives and programs, managers create a common vision for their employees and promote employees' trust and organizational commitment.

Since, ethical guidance was significantly related to trust and organizational commitment, it is recommended that managers use their discretion and insight, considered as moral concepts, share ethical standards (honesty, interactional justice fairness and responsibility) with their employees and ask them to conduct their tasks and duties thorough applying ethical methods in order to achieve organizational goals.

One of the results obtained from this study was the significant relationship between people orientation and organizational commitment. In this regard, to improve employees' trust and organizational commitment, it is suggested that managers hold question and answer and informal meetings to become familiar with their employees' issues and problems and inform their employees of organizational goals and objectives.

Considering the significant correlation of fairness with trust and organizational commitment to develop the level of fairness, it is highly recommended that managers behave in an impersonal manner and based on ethical standards. They are suggested to apply less discrimination when interacting with their employees. This improves the perception of fairness and leads to an increase in the levels of trust and organizational commitment.

Due to the significant relationship of power sharing with trust and organizational commitment, it is suggested that managers delegate responsibilities based on their employees' abilities and skills, participate their employees in the decision-making process and use their ideas and suggestions.

With regard to the significant correlation of integrity with trust and organizational commitment, it is highly recommended that managers be stable in their words and deeds, be committed to their promises and covenants and do not act contrary to their promises.

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