

## Effect of ethical leadership on employee performance in uganda

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**ABSTRACT:** This study investigated the effects of ethical leadership on employee performance in the public sector in Uganda. A target population of 160 employees was surveyed. A structured questionnaire was self-administered to the employees to collect the data. Regression analysis and Pearson correlation coefficient were used to explain the nature of the relationship between ethical leadership and employee performance and the effects thereof. Results of the study reveal that employee performance is greatly influenced by ethical leadership. These have both policy and managerial policy which is discussed here. This study is limited by being cross-sectional in nature and considered only one sector in one country and therefore cannot be generalized to other sectors and countries. Practical implication is that ethical leadership in public sector needs to be promoted at a top level and leaders have to behave ethically. This is the first study of this nature conducted in Uganda focusing on the effects of ethical leadership on employee performance.

**Keywords:** Ethical Leadership; Employee performance; Public Sector; Uganda

### INTRODUCTION

Leadership is considered a major factor that has an indisputable influence on employee performance in any kind of organization (Ogbonna and Harris, 2000). But how employees perform under different kinds of leadership has been a point of contention among researchers and scholar alike (Gadot, 2006). Studies have shown that employee performance increases under an extraverted leadership when employees are passive, and if employees are proactive result will be opposite (Grant et al., 2011). Wang et al. (2005) state leadership has an immense influence on the performance of employees. Better improvement of employee performance is a clarion call for organizations in the midst of continual rising challenges due to scandals and unethical behaviors. According to Alam et al. (2010), public leadership must guide decisions and actions for sustainable quality services from public institutions. Dorasamy (2010) asserts that the credibility of public institutions can easily get eroded due to absence of leadership adhering to acceptable standards. Judge and Piccolo (2004) attests such disregard arises because most leaders do not subject their roles to ethical justification. Limited studies have been conducted on the consequences of ethical and unethical leadership on employee performance (Kalshoven et al., 2011) though some researchers (Brown et al., 2005) have attempted to explore the concept of ethical leadership and its impact on employee conduct. Generally, empirical studies in management largely ignore ethical leadership and yet employee performance is greatly affected by either the ethical or unethical behaviors of those who lead them.

In Uganda, a new stream of research reveals that the construct of ethics was a significant predictor of employee performance (Ntayi et al., 2009). Uganda Inspectorate of Government Survey (Ssonko, 2010) shows all the malpractices in public institutions in Uganda are indicators that the ethics, integrity, transparency and professionalism still show some negative gaps in the Uganda public sector. The survey recommends for the creation of awareness about these evils and their implications to the public sector management. Mutebi et al. (2012) concur that the public sector in Uganda is confronted with a number of challenges, primary among which is the dearth of unethical leadership. This prompted the study to establish whether ethical leadership could have any influence on employee performance in the public sector in Uganda, which is the focus of this paper.

The paper therefore set out to empirically examine the effects of ethical leadership on employee performance in the public sector of Uganda as its broad objective. In line with the broad objective of the study, the following specific objectives were achieved:

- i) To determine the effect of balanced processing on employee performance;
- ii) To ascertain the effects of moral perspective on employee performance;
- iii) To examine the relationship between rewards and punishment and employee performance; and
- iv) To examine the relationship between moral sensitivity and employee performance.

## LITERATURE REVIEW

### Ethical leadership

The term “leadership” has been variously defined. Nelson (2006) defines it as steps, procedures or process that direct and guide the behavior of people in their work environment. To Armstrong (2003), leadership is simply the ability to persuade others willingly to behave differently for achieving the task set for them with the help of the group. Northouse (2010) sees it as a process whereby an individual influences a group of individuals to achieve a common goal. Kodish (2006) argues for leaders to demonstrate high quality, they must be strong enough in their ethical behaviors. Oates and Dalmau (2013) elucidates that ethical leadership is about doing what is right for the long term benefits of all stakeholders. They continue to say that ethical leadership is about balancing the organization’s short term goals and longer term aspirations in a way that achieve a positive results for all those who could be affected by the organization and the decisions of its leaders. Brown et al. (2005) suggested that the combination of integrity, ethical standards, and fair treatment of employees are the cornerstones of ethical leadership. They define 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. This definition implies that a leader should be both a moral person and a moral manager. It further shows that while demonstrating moral management behavior, ethical leaders do not compromise ethical standards in pursuit of short term, bottom-line, organizational performance. Treviño and Brown (2004) proposed that ethical leadership, in its true sense, promotes ethical conduct by practicing as well as managing ethics and holding everyone accountable for it. They describe ethical leaders as persons exhibiting traits that are consistent with normative ethical principles such as honesty, fairness and trustworthiness. These leaders make fair and balanced decisions, and actively consider the appropriateness of those decisions in terms of their ethical consequences. They incorporate moral principles in their beliefs, values and behaviors, and have strong ethical norms and values. They also have supporting character for themselves and others

which are intensely surrounded by a broad vision. Ladkin (2008) found that ethical leadership engages in recreation of the ethical aspects of a leader's efforts if it fits well with the full awareness of the human atmosphere. He asserts that ethical leadership has three main attributes: "visionary" in recognizing itself and the situation, "consistency" similarity among itself and others ideal and communication, and "rationality" achievement of goals. Similarly, Kanungo (2001) mention that ethical leaders behave in a manner associated with the wellbeing of others. This means ethical leaders are truthful, fair in their decisions, and good at communication with their followers. Ethical leaders always set clear ethical standards and use appropriate rewards as well as punishments to implement those standards (Khuong and Nhu, 2015). Given the "ephemeral now" due to ubiquitous concerns about such matters as organizational scandals, promotion of ethical leadership is too much critical (Bourg, 2007).

## **Employee performance**

Performance is a multidimensional construct and an extremely vital criterion that determines organizational successes or failures. Prasetya and Kato (2011) define performance as the attained outcomes of actions with skills of employees who perform in some situation. According to Pattanayak (2005), the performance of an employee is his/her resultant behavior on a task which can be observed and evaluated. To him, employee performance is the contribution made by an individual in the accomplishment of organizational goals. Here employee performance is simply the result of patterns of action carried out to satisfy an objective according to some standards. This means employee performance is a behavior which consists of directly observable actions of an employee, and also mental actions or products such as answers or decisions, which result in organizational outcomes in the form of attainment of goals.

## **Relationship between ethical leadership and employee performance**

Employees are pivotal assets without whom the intended goals of any organization may not be achieved. According to Mwita (2000), employee performance is the key multi character factor intended to attain outcomes which has a major connection with planned objectives of the organization. Studies have shown that employee performance can be increased if they are led by ethical leaders (Bello, 2012). A study by Detert et al. (2007) revealed that an efficient leadership helps employees in discovering and polishing their contributions to the success of the organization. The study shows that effective leadership is more likely to lead to increase in employee performance. Brown and Treviño (2006) found that ethical leadership emphasizes fair treatment, shared values and integrity in common personnel and business transactions. They add that ethical leaders inspire favorable behaviors among employees, encourage high levels of pride and commitment to the organization, and shape the way employees perceive the work content. Mayer et al. (2009) found positive effects of executive ethical leadership cascade to lower level employees through the ethical leadership practiced by supervisors. In their study, Brown et al. (2005) show that ethical leadership positively influences many important employee outcomes. Piccolo et al. (2010) found a positive relationship between ethical leadership and employee effort. Walumbwa and Schaubroeck (2009) found that perceptions of ethical leadership were related to increased employee voice via their influences on heightened psychological safety. Results of these studies show that ethical leadership

favorably influence a significant number of employee outcomes. However, empirical studies on the effects of ethical leadership on employee performance are scanty.

### Theoretical framework and hypothesis development

It is evident from the existing literature that there are variables which affect employee performance. Informed by the ethical theory expounded by Brown et al. (2005), the factors used to effects of ethical leadership on employee performance are: balanced processing; moral perspective; rewards and punishment; and moral sensitivity. These factors were identified as the independent variables while employee performance was the dependent variable. The reason why these variables have been chosen is to see the relationship between

them, that is, if ethical leadership is practiced does it affect employee performance? Dimensions of employee performance (that is, effectiveness and efficiency) were not studied. The theoretical framework for the study can be seen from the following schematic diagram (Figure 1).



**Figure 1: Theoretical model.**

**Source: From the theory of ethical leadership (Brown et al., 2005) modified from literature review.**

From Figure 1, factors (that is, balanced processing; moral perspective; rewards and punishment; moral sensitivity) of ethical leadership were hypothesized to have effect on employee performance. Gardner et al. (2005) defines balanced processing as objectively analyzing facts and data, both external and self-referential. It demands that the leaders should not distort, exaggerate, or ignore information but objectively analyze all the important data before making a decision. This allows leaders to avoid bias in their perceptions as a result of self-defense, self-exaltation and/or self protection. When applied to employee performance, ethical leaders are aware of the impact of their behaviors on organization's value system and are better able to move beyond personal misconception in order to make more balanced assessment of the varying situations they face (that is, beyond personal stereotypes). Therefore we can draw the following hypothesis as:

*H1: There is a positive relationship between ethical leadership practice, that is, balanced processing and employee performance.*

The moral perspective factor of ethical leadership agitates for the behavior of leaders to rest on moral and ethical standards only. By these, the leaders would be able to stress moral values and purpose in their decision making. They will also be able to clarify to followers how tasks and efforts of each member contribute to the achievement of important goals (De Hoogh and Den Hartog, 2008). Luthans and Avolio (2003) contend that this type of behavior implies an integrated form of self-regulation. It requires reflective thought and attendant actions, which according to Lunday and Barry (2004) is a decision making necessity influenced and prompted by ethical guidelines. Without such

guidelines, decision making and ethicality characterized by impetuosity and precipitousness is more likely to occur. Ethical leaders always adopt high standard of morality that endear them to make proper choices when confronted with an ethical dilemma (Gardner et al., 2005). Therefore, it can be concluded that moral perspective influence employee performance and the following hypothesis can be drawn.

*H2: Ethical leadership practice, that is, moral perspective has a positive effect on employee performance.*

Lasthuizen (2008) avers moral managers both consistently reward morally appropriate conduct and punish deviations. This ensures that followers meet the moral standards and know what is considered immoral conduct (Treviño et al., 2000). Good moral behavior should be rewarded publicly to send the message that conformity to ethical standards and values is desired. If unethical behavior is punished, it may prevent such behavior in the future and function as an example to others that deviation from ethical values, principles, and standards will not be tolerated. An ethical leader will not reward immoral behavior, even though it may lead to success, in order to send out the message that success is not solely defined by its final outcome but also by how that outcome is achieved. The use and effect of rewards and punishment on employee performance seem to go deeper than simply attaching a pleasant tone to an activity. Inasmuch as it is not inhibitory in its effects but is positively reinforcing, the actual reward and punishment permits more freedom of actions and accountability by the individual employee. Therefore, out of these supportive arguments the following hypothesis is proposed.

*H3: There is a positive relationship between ethical leadership practice, that is, rewards and punishment and employee performance.*

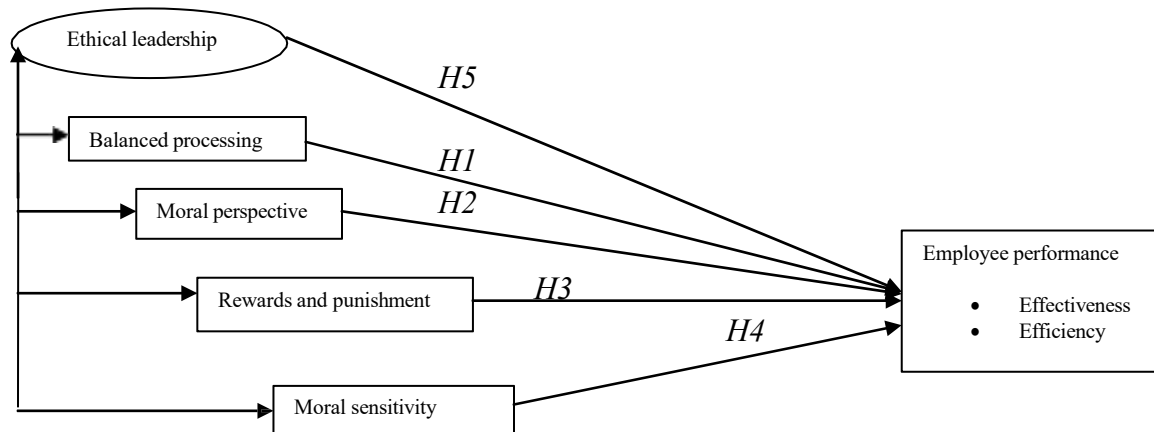
Sadler (2004) describe moral sensitivity as the tendency for an individual to recognize that some aspects of an issue possess moral implications. He opines that a person must be sensitive to the moral implications of a particular situation or issue in order for that person to engage in moral reasoning or moral behavior. This suggests that moral sensitivity involves interpreting reactions and feelings of others, understanding causes and consequence chains of events and how these may affect the involved parties. It also requires having empathy and role taking skills in order to become aware that a moral issue is involved in a situation (Kernis, 2003). Thus, the recognition of moral principles, rules or guidelines is very necessary for one to make an ethical decision which is the solid foundation of employee performance (Abiodun and Siddiq, 2013). If a leader interprets a situation in such a way that it violates a rule that he/she holds as morally relevant, then he/she perceives a moral component, and displays moral sensitivity in the context of that situation. Therefore, out of the aforementioned discussion a hypothesis can be drawn as follows:

*H4: There is a positive relationship between ethical leadership practice, that is, moral sensitivity and employee performance.*

Arising from the hypotheses developed above, these factors of ethical leadership need to be tested in respect to employee performance. It was suggested that the combination of these factors promotes greater employee performance than the absence of any of them. Therefore, the following hypothesis is derived.

*H5: There is a positive relationship between ethical leadership and employee performance.*

Based on the theoretical framework and hypotheses drawn a schematic illustration can be drawn as shown in Figure 2.



**Figure 2: Hypothesized model of Ethical Leadership and Employee Performance diagram**

## METHODOLOGY

### Research Design, Sample, and Data Collection Procedure

To successfully carry out the study, cross sectional research design was used. This was combined with both descriptive and analytical design since this was an exploratory study. The ethical leadership is the independent variable and employee performance is the dependent variable. The components of variables have been explained in Figure 1. The potential target population of 275 was drawn from Ministry of Public Service, Ministry of Gender, Labor and Social Development, Civil Service College Uganda, Gulu, and Kampala City Council Authority. According to Kerjcie and Morgan (Amin, 2005) a sample size for such a population is 160. The unit of analysis in this study was government organizations. The respondents considered as top managers, supervisors, and ordinary workers comprised the unit of inquiry. The self administered questionnaire was first pre-tested on employees from Ministry of Public Service who had worked for more than 10 years. Based on their responses and comments, items scales that were unclear and ambiguous were either deleted or improved. Following the guidelines set forth by Amin (2005) questions were brief and to the point, addressing only a single issue at a time and avoided phrases that could elicit acceptable response. The results are presented in Table 1.

**Table1: Reliability statistics of the Research Constructs in the Questionnaires**

Constructs	Number of items	Cronbach Alpha ( $\alpha$ ) Coefficient



Balanced processing	5	0.76
Moral perspective	5	0.81
Rewards and punishment	5	0.78
Moral sensitivity	5	0.84
Employee performance	20	0.79

From Table 1, the reliability for factors of ethical leadership ranged from balanced processing (0.84), moral perspective (0.78), rewards and punishment (0.81), and moral sensitivity (0.76). This result shows that the Cronbach's alpha measures for all the constructs well exceeded the recommended critical point of 0.70 (Amin, 2005) indicating a good internal-consistency reliability of the research instrument. Even the overall reliability of the 20 items (employee performance) on the questionnaire is 0.79 which is way above which is recommended by Amin (2005) that an instrument used in basic research should have a minimum reliability index of about 0.70 or better.

The questionnaire was then administered personally to ensure better response rate. Also a well-designed cover letter was included that explained the purpose and intended use of the survey data and promised anonymity of respondent in reporting. Of the total 160 questionnaires distributed to potential respondents, 152 were returned and found usable, making a response rate of 95 per cent. Therefore, 152 questionnaires served as data for analysis to present the findings and draw conclusions. Supportive materials and research results were uncovered from the literature as secondary source. The uses of these data collection instruments were limited to the hypothetical model of the study. No identifying data on the dimensions of employee performance, that is, effectiveness and efficiency was done.

## Measurement

In this paper the theory of ethical leadership expounded by Brown et al. (2005) had been invoked to explain and describe ethical leadership factors in employee performance. For balanced processing, the author greatly drew from the work of Kernis (2003). The proponents of balanced processing as a factor of ethical leadership argue that it allows leaders not to distort, exaggerate, or ignore information but objectively analyze all the important data before making a decision. The moral perspective factor of ethical leadership advocated by Ilies et al. (2005) views ethical leaders as those who stress moral values and purpose in their decision making. Proponents of rewards and punishment factor of ethical leadership (Lasthuizen, 2008) argue that ethical leadership rewards good moral behavior publicly to send a message that conformity to ethical standard and values is desired. They also argue that immoral behaviors are instead punished even if they may lead to success. Moral sensitivity factor as expounded by Gardner et al. (2008) postulates that ethical leadership is being self-aware of the existence of ethical problem, identify possible course of action, and determine the consequence of each potential strategy to be adopted for action. These factors suggest that ethical leadership has a bearing on employee performance. Each of them was measured by at least five questions that were relevant in terms of prior research or expounded theory of ethical leadership. The

respondents chose between statements on a five-point Likert scale while 1 = strongly agree to 5 = strongly disagree. Questions on the balanced processing factor were on fairness, transparency, responsible, objective and trustworthy. On moral perspective factor, the questions were: power sharing, values truth, maintain high regard for duty, self-discipline and thoroughness. On the reward and punishment factor, the questions were on: just, rejects ethical lapses, tuned to principles, set standards, and accountable to values. On moral sensitivity factor the questions were on: ethical decisions rules, consideration for multiple stakeholders, means not end, long term goals, and bottom line.

The data was also coded using a combination of alphanumeric symbols. The data collected was taken through the processes of cleaning and processing in preparation for the actual analysis using SPSS ver. 14.0. Preliminary data analyses were performed to test for normalcy of the research variables, and to obtain descriptive statistics on demographic profiles and the general characteristics of the respondents. Based on the objectives of the study and the need to test the hypotheses developed, the effects of ethical leadership on employee performance was assessed using regression analysis and Pearson Correlation coefficient ( $r$ ).

## RESULTS AND DISCUSSION

### Demographics of Respondents

The demographic information of the different respondents who participated in the study is presented in Table 2.

**Table 2: Demographic information of different respondents (N=152)**

Variables	Frequency distribution	percentage
Gender		
Male	120	78.9
Female	32	21.1
Total	152	100.0
Ages		
Less than 25 years	9	5.9
26-35 years	50	32.8
36-45 years	60	39.4
Over 45 years	33	21.7



Total	152	100.0
Educational level		
Diploma	75	49.3
Bachelors	65	42.8
Masters	12	7.9
Total	152	100.0
Organization of engagement		
Ministry	58	38.2
Department	33	21.7
Agency	27	17.7
Local government	34	22.4
Total	152	100.0
Work experience		
Less than 5 years	44	29.0
Between 6 -10 years	24	15.8
Between 11-20 years	61	40.1
Over 21 years	23	15.1
Total	152	100.0
Level in organization		
Top	82	53.9
Middle	70	46.1
Total	152	100.0

While the research did not focus precisely on gender equity, the findings reflect that the sample is biased towards males. Out of the total respondents, 78.9% were males and 21.1% were females. In terms of age, a majority of respondents (39.4%) were between the ages of 36 to 45 years. 21.7% were over 45 years. 32.9% were in the ages of 26 to 35 years while 5.9% were less than 25 years. As

regards educational qualifications, this study revealed that only 7.9% of the respondents had masters' degree, 42.8% had undergraduate (Bachelor) degree and 49.3% were Diploma holders. This is not uncommon results as far as public employees in Uganda are concerned. Most public employees are not highly qualified. The respondents worked in various government organizations as shown in Table 2. 38.2% worked in Ministries, 22.4% worked in local governments, while 21.7 worked in Departments and 17.7% worked in Agencies. According to the study findings also, most respondents had a working experience after qualification of between 11 and 20 years (40.1%) while 15.1% had a working experience of over 21 years. About 15.8% had a working experience of between 6 and 10 years while 29.0% had worked for less than 5 years. Table 2 also reveals the respondents levels in their respective organizations. Top level represents a 53.9% of the respondents whereas middle level represented 46.1%.

### Level of Ethical Leadership Factors and Employee Performance

Descriptive statistics in the form of the mean and standard deviation were computed to determine the level of the different factors of ethical leadership and employee performance. The results are presented in Table 3.

**Table 3: Summary statistics for ethical leadership and employee performance**

Variable	N	Mean	Standard Deviations
Balanced processing	5	3.0	1.190
Moral perspective	5	3.10	1.3234
Rewards and punishment	5	3.08	1.3048
Moral sensitivity	5	3.222	1.2844
Employee Performance	20	3.100	1.2756

Based on the five point Likert scale, the mean value is 2.5. The results indicate that the level of the different dimensions of Ethical Leadership range from balanced processing (mean = 3.0, SD = 1.190), moral perspective (mean = 3.10, SD = 1.3234), rewards and punishment (mean = 3.08, SD = 1.3048), and moral sensitivity (mean = 3.222, SD = 1.2844). This indicates that employee performance is based on high level ethical leadership practice. The results also reveals that employee performance is high (mean = 3.100, SD = 1.2756).

### Regression Results

The regression analysis was carried out to establish the degree of influence that ethical leadership has on the level of employee performance in Uganda. Results are presented in Table 4.

**Table 4: Results of regression analysis**

Factors	R	R Square	Adjusted R square	Std. Error of the Estimate	Change statistics				
					R square change	F Change	df1	df2	Sig. F change
Balanced processing	.509(a)**	.259	.252	.46857	.259	35.712	1	102	.000
Moral perspective	.531(a)**	.281	.274	.47432	.281	32.437	1	102	.000
Rewards and punishment	.542(a)**	.294	.287	.45762	.294	42.383	1	102	.000
Moral sensitivity	.589(a)**	.347	.340	.44012	.347	54.090	1	102	.000

a Predictors: (Constant): Ethical Leadership

b Dependent variable: Employee performance

\*\*Significant at  $p > 0.05$

Source: Primary data from SPSS Ver. 14.0

Results in Table 4 indicate coefficient of determination R square of .259 was obtained with a standard error of .46857 of balanced processing. This implies that the variation in service delivery which is explained by balanced processing is 25.9% though the adjusted R square of .252 is low (far from tending to 1) which does not reflect the goodness of fit of the model. Moral sensitivity has a coefficient of determination of .281 with a standard error of .47432. It implies that the variation in employee performance in Uganda is statistically explained by moral perspective is 28.1%. However, its adjusted R square of .281 is low (far from tending to 1) which does not reflect the goodness fit of the model. A coefficient of determination of R square of .294 was obtained for rewards and punishment factor of ethical leadership with a standard error of .45762. This means the variation in employee performance statistically explained by rewards and punishment is 29.4. But adjusted R square of .287 is low (far from tending to 1) which does not reflect the good fit of the model. The coefficient of determination R square for moral sensitivity is .347 with a standard error of estimate of .44012. It implies that the variation in employee performance which is statistically explained by moral sensitivity is 34.7%. The adjusted R square of .340 is however low (far from tending to 1) which does not reflect the goodness fit of the model. Generally, from these results, the study reveals that there is a very strong and positive relationship between ethical leadership factors and level of employee performance in Uganda. This is an indication that promotion of the factors of ethical leadership in organizational management has a high chance of improving the performance levels of employees in Uganda.

## Correlation Analysis

In determining the effects of ethical leadership on employee performance, the alternate hypotheses were turned into null hypotheses. By the use of Pearson Correlation analysis, the relationship between the variables, that is, ethical leadership and employee performance in Uganda was established as displayed in Table 5.

**Table 5: Correlation analysis**

Model		Unstandardied coefficients		Standardized coefficient	t	Sig.
1	(Constant)	1.796*	.175		10.259	.000
	Balanced processing	.336	.056	.509	5.976	.000
1	(Constant)	1.724*	.196		8.818	.000
	Moral perspective	.366	.104	.531	5.692	.000
1	(Constant)	1.697*	.176		9.639	.000
	Rewards and punishment	.365	.056	.542	6.510	.000
1	(Constant)	1.604*	.169		9.496	.000
	Moral sensitivity	.373	.051	.589	7.355	.000

a Dependent variable: Employee performance

\*Significant at  $p=0.01$  (2-tailed)

Source: Primary data from SPSS Ver.14.0

In Table 5, the results of the coefficients of the variables indicate a calculated  $t$  value of 5.976 for balanced processing. This calculated  $t$  value is bigger than the degree of freedom at 2.000 in the probability table. It means there is a significant effect of balanced processing on employee performance. This is further explained by standard coefficient Beta value which is also the sample  $R$  value in the regression analysis of .509 with  $R$  square of .259 significant at  $p = 0.01$ . This Beta value is more than 0.05 which tends towards the absolute value of +1 (strongly positive). It means as the value of balanced processing increases, so does employee performance. Hence, hypothesis H1: Ethical leadership practice, that is, balanced processing and employee performance is accepted. These results are supported by Roman and Munuera (2005). And they suggest that ethics requires an individual to behave according to the rules of a moral philosophy with an emphasis on the determination of right and wrong. Although, few researchers have directly studied the significance of balance processing on employee performance, Fulmer (2004) avers that ethical practices are essential to overcome the increasing occurrences of dishonest and untrustworthy employees. Banerji and Krishnan (2000) reveal that balance processing is very vital for employee performance in the face of unethical leadership behavior and practices that frequently occur in many organizations. Ilies et al. (2005) postulates that balance processing is at the base of personal integrity. Through balanced processing a leader has the potential to shape and directly and indirectly but actively reduce unethical

behaviors in organizations (Seals, 2013). Balanced processing also allows leaders to move beyond their ego and misconceptions about themselves (Kernis, 2003). The calculated  $t$  value for ethical perspective is 5.692. This is bigger than the degree of freedom at 2.000 in the probability table which means there is a significant effect of moral perspective on employee performance. This result is further explained by the standard coefficient Beta value which is also the sample  $R$  in the regression analysis of .531 with  $R$  square of .281 significant at  $p = 0.01$ . This Beta value is more than 0.05 and tends towards the absolute value of +1 (strongly positive). Implicitly, as the value of moral perspective increases, so does employee performance. Thus the set hypothesis H2: ethical leadership practice, that is, moral perspective and employee performance is accepted. These results are also supported by Zhu et al. (2004). They contend that leaders exhibit ethical behaviors when they are doing what is morally right, just and good, and when they support followers to elevate their ethical awareness and moral self-actualization. Essentially, the effect of moral perspective on employee performance is not only significant but studies prove that it also increases employee performance. It can be seen from the research conducted that moral perspective is more likely to increase employee performance (Brown et al., 2005). They contend that moral perspective nurtures normatively appropriate behaviors such as openness and honesty, reliability and truthfulness. Brown and Treviño (2006) argue that leaders endowed with moral perspective are good, detail oriented and typically are well organized, ambitious, and strong willed. They add that such leaders are more likely to communicate their clear principles and standards for ethical behaviors to their followers. They give meaning to various work activities (Podolny et al., 2005) through embedded principles inspired ideals (Thompson and Bunderson, 2003). Avolio et al. (2009) contend that ethical leaders use critical reasoning skills which make them to refrain from behaving in ways that violates their moral standards.

Rewards and punishment had a calculated  $t$  value of 6.510. This calculated  $t$  value is bigger than the degree of freedom at 2.000 in the probability table. It means that there is a significant effect of rewards and freedom on employee performance. This result is further explained by the standard coefficient Beta value which is also the sample  $R$  in the regression analysis of .542 with  $R$  square of .294 significant at  $p = 0.01$ . This Beta value is more than 0.05 and tends towards the absolute value of +1 (strongly positive). This implies that as the value of rewards and punishments increases, employee performance also does increase. It can be concluded from the study that if rewards and punishment is practiced, it can have a healthy influence on employee performance. The relationship between rewards and punishment and employee performance is also found by Mayer et al. (2011). In their study, they discuss the prevalence of staggering unethical behavior in organizations and suggest that the critical role of managers is to create an ethical climate and ultimately reducing the level of misconduct among their employees. In his study, Colquitt (2001) emphasizes on moral management through rewards and punishment. Carlsmith et al. (2002) concluded that employees who receive rewards and punishment are more satisfied with their jobs and this has a strong positive effect on their performance. Treviño et al. (2003) found that ethical leaders use rewards and punishments to hold followers accountable for ethical standards. Podsakoff et al. (2010) contends that the effects of rewards and punishment on employee performance may operate through several attitudinal and perceptual mechanisms. They intimate

that substantial amount of research attest to the positive effect of leaders' rewards and punishment behaviors to employee performance. Karami et al. (2013) found that rewards have positive and significant effects on employee performance. The findings reported by Podsakoff et al. (2006)

suggest that rewards and punishment behaviors are crucial for encouraging employee performance outcomes that are desired by leaders.

Moral sensitivity has a calculated  $t$  value of 7.355 which is bigger than the degree of freedom at 2.000 in the probability table. This means there is a significant effect of moral sensitivity on employee performance. This result can further be explained by the standard coefficient Beta value which is also the sample  $R$  in the regression analysis of .589 with  $R$  square of .340 significant at  $p = 0.01$ . This Beta value is greater than 0.05. It tends towards the absolute value of +1 (strongly positive). This implies that as the value of moral sensitive increases, so does employee performance. This statistical analysis proves the hypothesis H4: ethical leadership, that is, moral sensitivity and employee performance. The impact of moral sensitivity had been found significant on employee performance by Sadler (2004). He suggests that individuals must be sensitive to pertinent issues at hand. This is corroborated by Walker (2002) who postulated that moral sensitivity to considerations in complex, real-life situations remains critical. Brown et al. (2005) suggested that individual high on moral sensitivity are more concerned about proper and human treatment of people. They show that such individual are considerate, helpful, decent, honest, trustworthy, understanding and responsive to the needs and wishes of others. Leaders with high moral sensitivity are generally likable (Tobin et al., 2000). Brown and Treviño (2006) augment to say ethical leaders have high moral sensitivity and have traits that predict stability in their behaviors. Goldman and Kernis (2002) supplemented to say moral sensitivity demands being sincere about oneself and communicating both the negative and positive aspects.

The entire hypothesis suggested earlier have been proven and discussed above. Therefore this leads to the support of the overall hypothesis of the study, that is, there is a positive relationship between ethical leadership and employee performance. After studying this relationship in public sector in Uganda, it was discovered that ethical leadership contribution in terms of balanced processing, moral perspective, rewards and punishment and moral sensitivity was approximately 54.2% towards employee performance. The overall hypothesis of ethical leadership and employee performance is hence statistically significant and is also supported by Detert et al. (2007). Kalshoven et al. (2011) found positive relationships between ethical leadership and both employee in-role and extra-role performance.

Research has consistently shown that employees can produce better results, provided they are well led (Ibarra and Hansen, 2011). Examining top management teams, De Hoogh and Den Hartog (2008) found that CEOs' ethical leadership was positively linked to top management team effectiveness and subordinates' optimism. This requires leaders to be ethical as well as they would ensure that ethical practices are carried out throughout the organization. Lewis and Gilman (2005) suggest that ethical leaders should be people of good character, vision and courage to do the right thing. Eisenbeiß and Giessner (2012) found that ethical leaders are dedicated to ethics and mutually reinforce the employees' ethical conduct. Nekoranec (2009) identified the role of a leader as to personify espoused values, build relationship for harmony and purpose and work for mutually beneficial solutions. Ward (2006) examines the reason for ethical failures in leader and found that ethical failures occur out of ignorance. He notes that a leader needs to gain more knowledge in the field of ethics in order to overcome those failures.

Fryer (2007) recommends that organizations should try whenever possible to select and promote people (to management positions) who have an "ethical mind". He notes that a person with an "ethical mind" espouses high standards, lives up to these standards consistently, and tries to help



others do the same. Managers with ethical minds try to create a work culture where “doing the right thing” is the norm rather than the exception and they have a “zero tolerance” for unethical behavior. Conrad (2013) believes that such leaders hold employees accountable for unethical behavior and communicate with employees about ethics. Since ethical leadership should cascade down the organization, Mayer et al. (2009) says it is imperative that leaders must set a good example for employees. Unless leaders act as ethical role models, ethical behaviors will not be accepted by cynical employees. Khuong and Nhu (2015) suggest that the ethical leader should also build an environment of trust with employees in order to create a working environment where employees feel free to discuss ethical dilemmas with them. Yukl (2010) concur that employees need a supportive or considerate leadership that take their interest as a priority. Mayer et al. (2011) proposes that managers should play critical roles in creating an ethical climate with the ultimate purpose of reducing the level of misconduct among employees.

## CONCLUSIONS

Due to all of the results above, this study concluded that ethical leadership was over average the most important predictor of employee performance in the public sector in Uganda. Findings of this study have significant implications to management in terms of enhancing the promotion of ethical leadership in organizations. While much has been discussed in which employee performance can be improved, little or nothing has been done in order to resolve the controversy surrounding the place of ethical leadership in management. What is more, although much has been speculated about the existence of influence of ethical leadership on organizational performance (Khademfar and Amiri, 2013), little has been conducted in that matter (Conrad, 2013), and nothing on considering the aspects of organizational management to test how ethical leadership influences employee performance. The present study does it and adds values to the study of ethical leadership literature by firstly demonstrating that ethical leadership has a stronger influence on employee performance. Hence, a primary contribution of this study is that efforts in promoting ethical leadership practices in public organization must start and be perceptible at the top of the organization. Another important contribution of this study is that employee may not play the so commonly thought important roles in behaving ethically in their work places, for this reason, ethical leaders endowed with the mind of behaving ethically may be needed in a greater extent to make a difference in employee performance. Indeed, an important aspect of the organization’s poor performance that must be obviated hinges on the promotion of the practices of ethical leadership. Future researchers who are interested in ethical leadership should build a more comprehensive research model to help understand deeper and broader the concept of employee performance. In addition, this kind of research should be conducted in the private sector, countries and regions to generalize the findings as well as explore deeper this topic. The result of the study explained relationship between ethical leadership and employee performance with a sample size of 160 respondents. It is recommended future researchers to consider a larger sample in order to explore more exact associations among these variables.

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