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Unveiling the power of ethical leadership: Improving employee performance through promoting employees wellbeing in the tourism sector

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Copyright © 2024 by author(s). Journal of Infrastructure, Policy and Development is published by EnPress Publisher, LLC. This work is licensed under the Creative Commons Attribution (CC BY) license. https://creativecommons.org/licenses/by/4.0/ Abstract: This study is about the influence of ethical leadership in both employees wellbeing and employee performance in Egypt's tourism industry. Besides, it examines the indirect effect of ethical leadership on performance through its influence on the well-being of employees. The research was based on a quantitative research method and the surveys were self-administered, distributed and collected from a random sample of the employees of the Tourism companies. Analysis of 515 valid responses using structural equation modeling (SEM) unveiled several key findings: Ethical leadership is the main reason why both employee well-being and performance are significantly increased, and the fact that employee well-being is also the main reason for the improvement of performance. In addition, the employee well-being plays the role of the bridge between the ethical leadership and the performance. These insights are of great help for the decision-makers in the crafting of the effective leadership strategies that will lead to the creation of the thriving and high-performed work environments in Egyptian tourism sector.

Keywords: ethical leadership; employee wellbeing; employee performance; tourism sector

1. Introduction

The tourism sector which is based on the principle of customer satisfaction, the need for both operational excellence and a workforce that is motivated, engaged and morally guided (Hoang et al., 2023) is one of the organizational challenges. The statement from Dey et al. (2022) says that ethical leadership (EL) is the behaviors and actions that are based on the moral principles and fairness, and this is the way it influences the employee behavior, the organizational outcomes as well as the employee's performance (EP). EL is a method of guiding and influencing the others in the organization or the community which is based on a principle of a certain way (Yousaf et al., 2019). The leaders' decision-making will be in line with the moral principles, thus, developing a culture of trust and accountability that will be beneficial to the society (Ejaz et al., 2022; Sarwar et al., 2020). Ethical leaders are not only the builders of strong personnal code of conduct but they also are the persons who actively advocate for ethical in their teams and organizations (Joplin et al., 2021). The ethical leaders focus on the well-being of their followers and stakeholders which, in turn, builds an environment where the people feel empowered, motivated, and inspired to give their best for the company success while at the same time leading an ethical life (Dey et al., 2022). On the whole, ethical leadership is more than about accomplishments and profitability; it implies making decisions and carrying out actions with a strong commitment to the moral and social responsibility

(Kia et al., 2019).

The tourism service, which is a customer-oriented one, demands not only the quality of the service but also a workforce that is ambitious, dedicated and ethical (Hoang et al., 2023). The authors of the research (Dey et al., 2022) maintain that ethical leadership (EL) is the behaviors and actions that are grounded on moral principles and fairness, it is believed to be a key element that influences the employee behavior, the organization achievement and employee performance (EP). EL, as the name suggests, is the process of leading and influencing the members of an organization or community through a principled approach (Yousaf et al., 2019). The leaders' decisions are made depending on moral values that in turn would be the code of doing the right thing that would promote trust and accountability and thus would create a culture of trust and accountability (Ejaz et al., 2022; Sarwar et al., 2020). Ethical leaders are not only the ones who have the strongest personal code of conduct but they are also the ones who use their voice to spread the issues about ethics within the teams and the organizations (Joplin et al., 2021). Ethical leaders create the atmosphere where the followers and stakeholders are in a good mood, thus they are motivated to contribute to the success of the organization all the while maintaining the standards of the ethical behavior (Dey et al., 2022). To put it in simple terms, the ethical leadership is not just about reaching the goals and profitability; it is about making the right and responsible choices and actions and believing in the moral and social responsibility (Kia et al., 2019).

EW is a broad concept which comprises of the physical, emotional and mental wellbeing of the employees in the company (Johnson et al., 2022). As the authors of Ho and Kuvaas (2020) say, EW is not only a method to examine the physical health but also the mental, emotional and social aspects, which is beyond the ordinary ways. Tuzovic and Kabadayi (2021) research shows that a lot of factors determine the employees' wellbeing at work, for instance, work-life balance, job satisfaction, stress levels, and the quality of interpersonal relationships in the organization. It is clear to the employers that a successful environment that gives attention to EW will be the reason for the increase of the productivity, engagement and the overall EP (Salas-Vallina et al., 2021). The activities that are targeted at the wellbeing, for instance, wellness programs, flexible work arrangements, mental health resources, and the development of a culture which aims at the balance between work and personal life (Boehnlein and Baum, 2022) might be the one examples of the kind. Consequently, EW is the term that acknowledges the link between a person's personal and professional life, and therefore it leads to the formation of a healthier, more motivated, and satisfied team (Abdullah et al., 2021).

Despite growing interest in ethical leadership and its impact on employee performance (e.g., Dey et al., 2022; Ejaz et al., 2022; Hoang et al., 2023; Sarwar et al., 2020; Yousaf et al., 2019), there is a significant research gap in understanding how this leadership style specifically enhances employee wellbeing in the tourism sector. Existing studies largely focus on general business contexts, neglecting the unique challenges and stressors faced by tourism employees. Additionally, while the correlation between ethical leadership and performance is well-documented, the mechanisms by which ethical leadership directly influences employee wellbeing, and consequently their performance, remain underexplored. Addressing this gap could

provide valuable insights for improving employee satisfaction and performance in the tourism industry, which is essential for its sustainability and growth.

This research is about the assessment of the effects of EL on EW and EP in the tourism sector of Egypt. Besides, it also studies the role of EW as the bridge in the connection between EL and EP. This research which is founded on the Social Exchange Theory (SET) which provides a robust framework for understanding how ethical leadership can enhance employee performance by promoting wellbeing in the tourism sector. According to SET, relationships are built on reciprocal exchanges where positive actions by one party lead to positive responses from the other. Ethical leadership, characterized by fairness, integrity, and concern for employees' welfare, fosters a supportive and trustworthy work environment. This, in turn, motivates employees to reciprocate through increased commitment, loyalty, and performance. In the context of the tourism sector, where employees often face high stress and demanding customer interactions, ethical leadership can significantly boost their wellbeing, leading to improved job satisfaction and performance. By the acknowledgment and the utilization of these shared factors, the research's findings can be used as a reference in the development of the leadership strategies which are focused on the achievement of the thriving and high-performing work environment in the Egyptian tourism sector.

2. Literature review

2.1. Ethical leadership and employee performance

EL is the main factor that enables the creation of a congenial working environment, and it has a great impact on the work, and it also affects the performance of the organization. Several research (e.g., Al-Shehhi et al., 2020; Dey et al., 2022; Marisya et al., 2023; Tamer, 2021; Thakur et al., 2020) on the other hand, kept indicating that leaders who act as moral exemplars and demonstrate the ethical behavior, create a positive work environment that motivates employees to be the latest study by Eluwole et al. (2022) of the hotel sector has shown that through the creation of trust and the credibility, ethical leaders motivate the employees to the sense of mission and the common values, which in the end, they improve their job satisfaction and the commitment. EL and EP have a complicated relationship in which there are several factors such as the motivation, the citizenship behaviors and the decrease of the counterproductive work behaviors (Ullah et al., 2021). In addition, (Dey et al., 2022) claimed that the leaders who are ethical usually keep first the fair treatment, communication of what is happening, and the transparency of the decision they make, which is a part of the culture that values the individual and the collective contribution. However, Marisya et al. (2023) argued that organizations handle and cope with the ethical problems, the impact of EL on EP is still a major area of research and, consequently, the development of the workplaces that are sustainable and socially responsible is a subject of the field. The business world now has to deal with the challenges of the corporate responsibility issues that have become so big nowadays, EL is the most important factor for businesses to achieve the sustainable success and to create the workplace where every employee can grow and thrive both in his/her personal and professional life (Thakur et al., 2020). Consequently, our

initial hypothesis is formulated as follows:

H1: EL has a positive and direct effect on EP.

2.2. Ethical leadership and employee well-being

The link between EL and EW has been a topic of interest in the field of organizational research (Hoang et al., 2023). Several studies (i.e., Abdullah et al., 2021; Ejaz et al., 2022; Fu et al., 2020; Ilyas et al., 2023; Sarwar et al., 2020; Yousaf et al., 2019) recommended that EL is a major factor in the development of the psychological health and satisfaction of employees and thus, according to the research of Sarwar et al. (2020), ethical leaders, who are characterized by their moral principles, integrity, and fairness, have been proven to have a positive effect on the well-being of the employees. A recent study by Ilyas et al. (2023) discovered that once leaders give importance to ethical decision-making, it creates a work atmosphere that promotes trust, psychological safety, and a feeling of justice among the workers. The study by Ejaz et al. (2022) showed that EL led to decrease the stress levels, increase of job satisfaction, and enhance of overall well-being. Besides, Hoang et al. (2023) stated that ethical leaders usually show empathy and care for their employees thus, creating a supportive work environment. Hence, considering these discussions, we could postulate that:

H2: EL has a positive and direct effect on EW.

2.3. Employee well-being and employee performance

Employees who have a high level of well-being which involves physical, mental and social aspects, are more content with their jobs, are more involved in their work, and perform better at their jobs (Abdullah et al., 2021; Athota et al., 2020; Dsouza et al., 2023; Haricharan, 2023; Kultalahti et al., 2023; Kurnia and Widigdo, 2021; Ramdhan et al., 2022; Yan et al., 2020;). Besides, a positive workplace is related to the lower number of absences, leaving the work and being more productive (Haricharan, 2023; Kultalahti et al., 2023). Nevertheless, the research conducted by Dsouza et al. (2023) has proved the fact that the health of employees is linked with the increase of stress, burnout and the decrease in the work performance. According to the study done by Ramdhan et al. (2022) it has been shown that the creation of a work environment that deserves and promotes EW is the first step towards the improvement of people and the economy. Therefore, we posit that:

H3: EW has a positive and direct effect on EP.

H4: EW mediates the relationship between EL and EP.

3. Methodology

3.1. The scale and the study constructs

All the variables of this study are properly measured and the scales used are those that are being already used in the literature. Ethical leadership was assessed by the Kalshoven et al. (2011) five-items scale, which includes the fact that the leader cares about his/her followers and their feelings, he/she shares the responsibility for the problems, the leader makes his/her promises, he/she explains the rules of conduct

related to integrity and he/she shares the authority with his/her subordinates. Employee performance was evaluated using 5 items, which were drawn from Jansson and Yperen (2004), and were the employee's ability to perform the tasks that were specified in the job description. The employee has attained all the necessary formal performance conditions of the job. The employee properly performed all the responsibilities that the job demanded. The employee's inability to not to do the work is the cause of the employee's failure. The employee's ability to carry out his or her primary duties is the worker's success. The level of employee wellbeing was measured by the five-point scale by Rasool et al. (2021), which include the general feeling of working in the organization, the frequency of the work supervisor in checking the employee's performance, always assisting and providing support when the employee is stressed and anxious, the organization's organizational culture which helps to achieve the balance between work and family life and the organization providing All scaled variables exhibited a high reliability value above 0.90.

3.2. Population and sample size

According to the aim of this study, the target research population is tourism employees (specifically employees of tour operators and associated service companies), and as a result of the difficulty of determining an accurate number of employees, reliance was placed on what Veal (2006) demonstrated, considering the number of individuals of the research population in this case is with 20,000 individuals, and using Herbert Larkin equation, so the sample size of this study according to Herbert Larkin equation is 377 individuals (Ayad, 2017), where "n" = Sample size, "N" = Population size, "Z" = Confidence level at 95%, "E" = Error proportion (0.05), "P" = the probability (30%–60%) or = 50%. Simple random sampling technique was adopted for this study.

3.3. Data collection and analysis techniques

The quantitative approach was adopted for this study, and a self-questionnaire was used to collect primary data from the sample's individuals. Before distributing the questionnaire, it was tested, reviewed, and modified, according to the opinions of a group of tourism industry experts and university professors. The questionnaire was distributed to 530 employees, during the months of September and October 2023. The number of questionnaires to which answers were completed was 515, with a response rate of 97%, which were later statistically analyzed. Authors got a high response rate due to their good relationship with many tour operators, as a large number of the employees in these tour operators are our former students, which helped in reaching this number of employees and distributing the questionnaire to them. It was emphasized that the data obtained would be confidential and that the identity of the questionnaire respondents would not be disclosed. The questionnaire was divided into four parts, the first of which was devoted to demographic data, while the other three parts were devoted to the three study variables, namely ethical leadership, employee wellbeing, and employee performance. Respondents to the questionnaire were asked to rate all the elements of each variable from their point of view on a five-point Likert scale, rating from strongly disagree (1) to strongly agree (5).

4. Results

4.1. Measurement model (outer model)

In order to determine the extent of reliability and validity of the variables of this study and its elements to build the model, a convergent validity test was conducted, and the results showed a high degree of reliability in all elements, with results that exceeded the cut-off point approved by Hair et al. (2017), which is 0.7. Also, the composite reliability (CR) of all study variables was examined, and all scores were also above the Bryman and Cramer (2011) and Hair et al. (2017) recommended cut-off point, which is 0.7. As for the results of the average variance extracted (AVE) for all variables, it also exceeded the point recommended by Fornell and Larcker (1981), which is 0.5. That is, all achieved results support and confirm that the model is reliable and valid. See **Table 1**.

Table 1. Results of convergent validity.

| Construct | Item | Loading | AVE | CR |
|--|------|---------|-------|-------|
| | EL-1 | 0.763 | | |
| | EL-2 | 0.777 | | |
| Ethical Leadership (Kalshoven et al., 2011) | EL-3 | 0.779 | 0.615 | 0.839 |
| (, , | EL-4 | 0.777 | | |
| | EL-5 | 0.724 | | |
| | EW-1 | 0.818 | | |
| | EW-2 | 0.779 | | |
| Employee Wellbeing (Rasool et al., 2021) | EW-3 | 0.904 | 0.686 | 0.916 |
| (| EW-4 | 0.745 | | |
| | EW-5 | 0.884 | | |
| | EP-1 | 0.853 | | |
| | EP-2 | 0.897 | | |
| Employee Performance (Jansson and Yperen, 2004) | EP-3 | 0.716 | 0.689 | 0.917 |
| (F 3, - 00 1) | EP-4 | 0.811 | | |
| | EP-5 | 0.862 | | |

In order to ensure the level of confidence in the results and conclusions of the model, the Fornell-Larcker criterion test and cross-loading methods were conducted to prove the discriminant validity of the model and to verify that all variables that make up the model differ from each other (Kock, 2020). See **Tables 2** and **3** and **Figure 1**.

Table 2. Results of fornell-larcker criterion.

| Construct | EL | EP | EW | |
|-----------|-------|-------|-------|--|
| EL | 0.784 | | | |
| EP | 0.662 | 0.830 | | |
| EW | 0.618 | 0.698 | 0.828 | |

^{*} The values in bold are the square root of AVE.

Table 3. Discriminant validity-cross loading.

| | EL | EP | EW |
|------|-------|-------|-------|
| EL-1 | 0.763 | 0.549 | 0.693 |
| EL-2 | 0.777 | 0.212 | 0.605 |
| EL-3 | 0.779 | 0.543 | 0.560 |
| EL-4 | 0.777 | 0.704 | 0.539 |
| EL-5 | 0.724 | 0.655 | 0.491 |
| EP-1 | 0.689 | 0.853 | 0.620 |
| EP-2 | 0.665 | 0.897 | 0.714 |
| EP-3 | 0.396 | 0.716 | 0.372 |
| EP-4 | 0.512 | 0.811 | 0.474 |
| EP-5 | 0.694 | 0.862 | 0.621 |
| EW-1 | 0.478 | 0.345 | 0.818 |
| EW-2 | 0.545 | 0.334 | 0.779 |
| EW-3 | 0.768 | 0.566 | 0.904 |
| EW-4 | 0.476 | 0.337 | 0.745 |
| EW-5 | 0.626 | 0.582 | 0.884 |

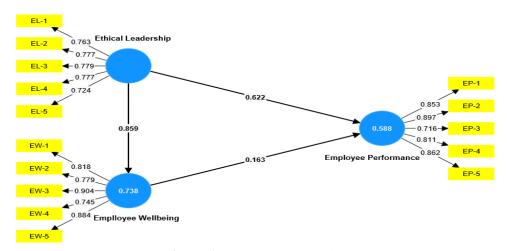


Figure 1. Measurement model.

The results mentioned in the previous table show that each of the study variables explains any variance in its components better than the ability of the rest of the variables that make up the model to explain it, which proves the discriminant validity of the model as recommended by Fornell and Larcker (1981) and Hair et al. (2017).

All the results mentioned in the previous table confirm the discriminant validity

of the model, as approved by Chin (1998), as all the variables' elements loaded more strongly on their own constructs, and greater than their loading on all other variables of the model's constructs.

4.2. Structural model (inner model)

The coefficient of determination test (R^2) was used to estimate the model's ability to predict the percentage of variance occurring in the dependent variable with the independent variable. The results showed that the value of the variance occurring for the independent variable "EL" on the dependent variable "EP" was moderate and on the dependent variable "EW" was high, according to the cut-off point set by Chin (1998). See **Table 4**.

Table 4. R^2 of the endogenous latent variables.

| Constructs | R-square | Results |
|------------|----------|----------|
| EP | 0.588 | Moderate |
| EW | 0.738 | High |

The effect size (f^2) test was used to estimate the extent to which each external latent variable has an individual influence on the internal latent variable. The results showed that the size of the effect of variable "EL", as an external latent variable of the model, on "EP" and "EW", as internal latent variables of the model, is a medium and large effect, respectively, and the size of the effect of "EW" as an external latent variable of the model on "EP" as an internal latent variable of the model was a medium effect, according to the criterion recommended by Cohen (1988). See **Table 5**.

Table 5. Assessment of effect size (f^2) .

| Constructs | Employee Performance | Employee Wellbeing | |
|--------------------|-----------------------------|---------------------------|--|
| Ethical Leadership | 0.346 (Medium) | 0.822 (Large) | |
| Employee Wellbeing | 0.421 (Medium) | | |

The GOF test was used, with the aim of ensuring that the model proposed for this study can be relied upon as a global fit measurement model, based on the level of measurement, structure and overall performance of the model, in accordance with Chen (2010):

$$GoF = \sqrt{R^2 \times AVE}$$

$$GoF = 0.663$$
(1)

According to the result of the GoF test, and referring to the criterion of Wetzels et al. (2009), the goodness of fit of the model proposed by this study can be verified enough to be considered sufficiently valid for a global PLS model.

4.3. Hypotheses assessment (Significance of path coefficients)

To verify the validity or otherwise of the study hypotheses, a path coefficients significance test was conducted, aiming at the extent of consistency between the proposed theoretical model and the primary data of the study. All results of the

hypothesis testing are summarized in **Table 6**. This study suggested 3 direct hypotheses and 1 indirect hypothesis (**Figure 2**), the structure equation model results (**Tables 5** and **6**, **Figure 3**) showed that "EL" has a positive and significant impact on "EP" (Effect size = 0.346, Std. Beta = 0.622, P = 0.001), and it has a positive and significant impact on "EW" (Effect size = 0.822, Std. Beta = 0.738, P = 0.000), so hypotheses H1 and H2 were supported. On the same context, "EW" has a positive and significant impact on "EP" (Effect size = 0.421, Std. Beta = 0.163, P = 0.000), so hypothesis H3 was supported. In addition, the SEM results proved the mediation impact of "EW" in the relationships between "EL" and "EP" (Std. Beta = 0.608, P = 0.000), and the lower and upper level of bootstrapped confidence interval were both greater than zero, which means that zero did not fall in-between the two values, and P value was = 0.000, as recommended by Preacher and Hayes (2008), which support the mediating impact of Employee Wellbeing, so hypothesis H4 was supported.

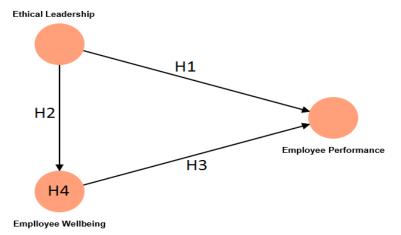


Figure 2. Study theoretical model.

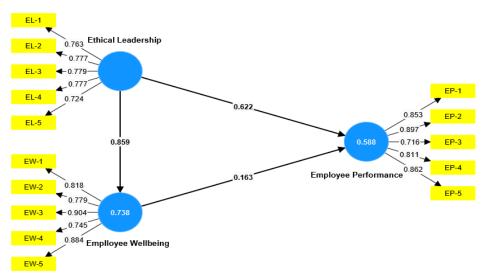


Figure 3. The final proposed structural equation model.

Table 6. Path coefficient of the study hypotheses.

| Hypothesis (Paths) | Effect | Beta | Std. Error | T.Value | P.Value | Results |
|--------------------|----------|-------|------------|---------|---------|-------------|
| H1: EL > EP | Direct | 0.622 | 0.211 | 9.224 | 0.001 | Supported** |
| H2: EL > EW | Direct | 0.738 | 0.115 | 14.662 | 0.000 | Supported** |
| H3: EW > EP | Direct | 0.163 | 0.088 | 19.629 | 0.000 | Supported** |
| H4: $EL > EW > EP$ | Indirect | 0.608 | 0.127 | 12.318 | 0.000 | Supported** |

Significant at $P^{**} \le 0.01$.

5. Discussion and implications

This research is on the subject of how EL affects EW and EP in the tourism sector in Egypt. Besides, it examines the EW factor as a mediator between EL and EP. The study, using the Social Exchange Theory as a foundation, aims to establish a solid framework of the factors that contribute to the positive social exchanges among the ethical leadership practices. The aim of the research was to identify all the links between variables. The research findings proved that "EL" influence "EP" in the tourism industry in Egypt, which is consistent with the opinion of Eluwole et al. (2022) who conducted similar study in Nigerian hotel sector and it resulted that through the creation of the trust and credibility, ethical leaders are able to persuade the people to feel the purpose and the shared values, that in the end, it will Furthermore, the results indicated that "EL" is a positive and significant factor for "EW" among tourism industry employees in Egypt, which is in line with the study of Ejaz et al. (2022) who proved in Pakistani educational context that EL was a stressreliever, a source of better job satisfaction, and a factor of improvement of the overall well-being. Furthermore, the results indicated that "EW" is a positive and significant factor on "EP" of tourism industry employees in Egypt, which is in line with what is discussed in the article of Haricharan (2023) who conducted a research on the provincial government of South Africa that proved the connection between the employees who have high levels of well-being (the physical, mental and social aspects are involved) and their job. Additionally, the results show that the relationship between "EL" and "EP" is indirect among the tourism industry employees in Egypt, through "EW", which is in line with the research of Ramdhan et al. (2022) who showed that the "EW" partially mediate the relationship between the two variables in Indonesian industrial enterprises.

The study obtained a number of outcomes that have a great value and significance on the theoretical and practical fields of the tourism industry.

5.1. Theoretical contributions

It helped in the establishment of the weaknesses in the literature on the mediation of employee wellbeing in the connection between ethical leadership and employee performance in the tourism business industry. Moreover, this indicates that "EW" can also alter the impact of "EL" on "EP".

5.2. Practical contributions

Besides, these conclusions will have an impact on the way managers work in

the tourism industry, because the leaders in these companies should start creating good social relations with the employees and take care of their wellbeing, hence, improving their performance. By recognizing and using these give and take mechanisms, the results of this research can help the leaders to formulate the strategies on how to make the workplaces in the Egyptian tourism to be dynamic and high-performance.

6. Conclusion, limitations and future research

The paper intends to examine the direct consequences of ethical leadership on the employee well-being and employee performance among the tourism industry employees in Egypt, and the indirect consequences between "EL" and "EP" through "EW". The information was gathered from 515 workers of the tour operators and the businesses that are connected to them in Egypt. SPSSvo29 and Excel Sheet 2021 were the statistical packages that were used to analyze the descriptive data and to find out the demographic features of the respondents, in addition, PLS-SEM V. 4 was used for this purpose. 0.9 was used as the tool to study the immediate and indirect effects of the variables and to test the research hypotheses. The SEM output indicated that ethical leadership is a positive and significant factor in the well-being of the employees as well as in their performance in the Egyptian tourism industry. Besides, the SEM results demonstrated a mediating role of employee wellbeing on the link between ethical leadership and employee performance in the tourism industry in Egypt, which, in other words, means that by taking into consideration and making use of these reciprocal dynamics, it may assist and assist decision-makers to devise leadership strategies aimed at creating a thriving and high-performing work environment in the Egyptian.

Like many prior studies, the present research possesses certain constraints and limitations that pave the path for future investigation avenues, there was difficulty in convincing employees to answer questions related to the leadership style followed in the company and the leaders' behaviors with them, and its impact on them. Subsequent studies could delve into demographic attributes like gender and age, either as moderators or through conducting multi-group analyses to discern variances in the scrutinized relationships. Moreover, further exploration could explore alternative potential mediators, contrasting their outcomes with our own. Furthermore, future research endeavors could re-evaluate the current model across diverse cultural contexts.

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