

## Mediating Influence of Self-Esteem on Relationship between Ethical Leadership and Job Performance

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**Abstract.** *Leaders with ethical leadership promote ethical conduct to their followers through two-way communication such as setting ethical standards and discipline for those who violate the standards. High ethical leadership of leaders within organizations will lead to a high level of employee self-esteem. Employees with high self-esteem will be more confident with their own behavior and attitudes. Thus, it will encourage them to give extra effort and maintain exemplary performance within the organizations. This research aims to examine the effect of ethical leadership toward employees' job performance and the mediating role of self-esteem in these relationships. Data was collected using questionnaires with responses from 160 employees of 15 major industries in Indonesia. The results indicate that ethical leadership significantly and positively affects job performance, while the mediating role of self-esteem partially mediates the relationship of ethical leadership and job performance. This study also found that ethical leadership can affect employees' job performance directly without mediating variables and the results are significantly positive.*

**Keywords.** *Ethical Leadership; Job Performance; Self-Esteem.*

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### INTRODUCTION

One of the fundamental questions that come from ethical scandals in organizations is about the important role of ethical leadership in forming ethical conduct (Brown et al., 2005). Generally, most employees have someone to aid them in ethical guidance for their behaviors and attitudes; usually it is the leaders. Therefore, it is not surprising that scientific research on ethical leadership continues to increase. Given that ethical scandals can occur in every organization along with their destructive consequences, it is obvious that the ethical dimension of leadership is very important (Brown & Treviño, 2006). In addition, the role of ethical leadership is crucial in directing the organization to achieve its goals (Brown & Treviño, 2006). Definitely, every organization wants to have ethical leaders who can improve the job performance of the employees and increase the job results or

outcomes. Research on ethical leadership is expected to give more information regarding ethical leadership in order to help organizations meet their objectives or goals.

Ethical leadership is expected to give a positive impact for organizations. Ethical leadership is explained by Brown et al. (2005) as the demonstration of appropriate conduct which is in accordance with the applicable norms through real actions and the relationship between leaders and followers. Within organizations, a leader is someone who has a key role in developing and maintaining the performance of the organization in order to achieve the goals (Avery et al., 2011). Bedi et al. (2016) described that perceptions of followers regarding ethical leadership result in various beneficial follower outcomes, such as followers' ethical behavior, psychological well-being, work-related outcomes (job satisfaction, job engagement, organizational

commitment, etc.), perception of self-efficacy, work effort, decrease of work stress, etc.

This study is different from a study by Bello (2012) which only analyzed the impact of ethical leadership on job performance directly without being mediated by other variables. Job performance is defined by Jex (2002, p. 88) as all forms of employees' behaviors involved at the time they work. Thus, the motivation of this study is to emphasize the relationship between ethical leadership on job performance with the mediating variable of self-esteem. Brockner (1988) explained that self-esteem has a degree of positive self-worth that individuals ascribe to themselves. Thus, it can be an important determinant on how employees or followers react to the behavior of ethical leadership.

Prior research has examined the relationship of ethical leadership on employee work-related or organizational outcomes, including turnover intention and affective commitment (Demirtas & Akdogan, 2015) and job performance (Bello, 2012). It means that many researchers have been interested in studying ethical leadership related with ethical scandals that must be addressed within an organization (Brown et al., 2005). However, most of the research on ethical leadership has not been done in industries such as retail, logistics, manufacturing, or in other major parts of countries (Brown et al., 2005). Therefore, another motivation of this study is to examine the influence of ethical leadership on job performance by using employees in major industries in Indonesia as subjects.

Therefore, this study is different from the study of Bello (2012) which only analyzed the impact of ethical leadership on job performance, because this research adds a mediating variable which is self-esteem. This research will expand previous research by analyzing the relationship of ethical leadership with job performance through a mediating effect which is self-esteem. This research is conducted to identify the role of ethical leadership of leaders towards employees' job performance and show how

employees' self-esteem mediates and influences the actions of ethical leaders in the organizations or industries.

This research gives several contributions as follows. Firstly, this research contributes to organizations. This study enlightens organizations regarding the impact of ethical leadership towards employees' self-esteem. This study can also inform organizations regarding the impact of employees' self-esteem on job performance. The results of this study are expected to help find the factors that influence employees' job performance in organizations. Therefore, the organizations can find solutions to make employees more committed and consistently attached to the organizations. Secondly, this research contributes to academicians. This study becomes a complement of previous research related to ethical leadership and job performance. Then, this study also gives a better understanding about the impact of ethical leadership on job performance mediated by self-esteem.

This part has explained the issues, problems, motivations, and the aims of the research. The following part will explain the background of the research, theories of ethical leadership, self-esteem, job performance, and the logic that serves as the basis of the hypothesis formulation. Then, the research method is described and followed by a discussion of the results. Finally, the last part will provide a conclusion of the research, limitations of the research, and recommendations for further research.

## LITERATURE REVIEW

### Ethical Leadership

Ethical leadership is explained by Brown et al. (2005) as the demonstration of the appropriate conduct which is in accordance with the applicable norms through the real actions and the relationship between leaders and followers. Leaders with ethical leadership will promote that ethical conduct to their followers through two-way communication, besides set the ethical standards and give rewards for those who perform ethical conduct; they also discipline

their followers who violate the standards (Brown et al., 2005). The research from Brown and Treviño (2006) explained that ethical leaders have some characteristics such as being caring, honest, and principled persons who give fair decisions. Ethical leaders also practice and maintain what they say to their followers and act as role models for ethical conduct (Brown & Treviño, 2006). An ethical leader encourages ethical behavior; thus, it influences his subordinates' ethical behavior (Treviño et al., 2003).

Ethical leadership has two standards which are as a moral person and moral manager (Thomas & Velthouse, 1990). Ethical leaders as moral people have such characteristics as the quality of being honest, having integrity, and being trusted by everyone. Moreover, ethical leaders are responsible in making ethical decisions and engaging in good behaviors such as caring for people, doing the right thing, having personal morality, and being open to being a good listener and easy to be approached. Meanwhile, a moral manager is identified by three characteristics such as acting as a role model through displaying visible actions, using the reward system and discipline, and communicating regularly about ethics and values.

Brown & Treviño (2006) used two theoretical frameworks in understanding ethical leadership: the social exchange theory (Blau, 1964) and the social learning theory (Bandura, 1977). The social learning theory from Bandura (1986) focused on the antecedents and the outcomes of ethical leadership. It suggested that through their experiences and by observing others, individuals can learn the standard norms of proper behavior. In learning such norms, people will pay attention to the role models and emulate their attitudes, especially those who seem to be attractive and have credibility (Brown & Treviño, 2006). As role models, ethical leaders who have integrity and set high ethical standards for themselves and also for everyone else are attractive and credible (Brown et al., 2005). Thus, leaders with ethical leadership draw employees' attention

to emulate the attitudes of their modeled behavior and internalize the ethical behaviors (Brown & Treviño, 2006). In addition, researchers have proposed that through the processes of social exchange, ethical leadership can influence the behavior of followers (Blau, 1964; Brown et al., 2005). According to the social exchange theory, when followers perceive a leader as someone who cares and is concerned about the followers' well-being, they will feel that it is obligatory to reciprocate the support from the leader. Thus, ethical leaders who act positively towards their followers will generate followers to reciprocate their leader in the same positive ways (Settoon et al., 1996; Chughtai et al., 2015).

### **Self-Esteem**

Self-esteem is defined as the degree of positive self-worth that individuals ascribe to themselves (Brockner, 1988). According to research from Brockner (1988) on the behavioral plasticity hypothesis, it explained that individuals with low self-esteem tend to be more significantly affected due to two reasons. First, individuals who have low self-esteem will have less confidence with the suitability of their behaviors and attitudes. In organizations, regarding ethical leadership behavior, individuals with low self-esteem will be affected and depending on the information associated with that role coming from the leader (Saks & Ashforth, 2000).

On the other hand, individuals with high self-esteem will be better prepared to meet the environmental standards and will be more confident with their behavior and attitudes (Brockner, 1988; Pierce et al., 1993). Pierce et al., (1993) declared that whether individuals have low self-esteem or high self-esteem, it will have a different impact on ethical leadership. According to research from Ferris et al., (2015), they explained that individuals with high self-esteem were relatively influenced by how they looked rather than about their competence. In contrast, other individuals predicated their self-esteem on a number of issues they had and were unaffected by how they looked

(Ferris et al., 2015). In short, high self-esteem can create many positive outcomes and benefits.

According to Rosenberg (1965), high self-esteem also can be categorized involving individuals who accept their own quality with arrogance, individuals who love themselves, and also individuals who are defensive. In addition, people with high self-esteem will make themselves more able to speak up in organizations and able to participate in giving advice related to the organization's goals (Rosenberg, 1965). Furthermore, this study uses Rosenberg's (1965) self-esteem constructs as its basis and also develops an accompanying 10-item self-esteem scale.

### **Job Performance**

Job performance is defined by Jex (2002, p. 88) as all forms of employees' behaviors involved at the time they work. Job performance is also related with all experiences of our behaviors and activities and can be shown through the answers that we create in order to give objectives or results (Gagne & Briggs, 1979). In other words, job performance can be defined as the result of work accomplished in carrying out the tasks assigned to them in accordance with the experience, seriousness, and skills (Flippo, 1995). Simply, job performance is the important role of achievement or success received by a person on one's job performance.

Commonly, employees who perform work with passionate and in accordance with regulations are characteristics of a good performance. Good performance also includes the willingness of one employee to other employees in achieving the organization's goals (Amin, 2015). Job performance is affected by several factors such as abilities, skills, and personality, where the factors in the possession of the employee will make an impact on work activities, work performance, behavior, and performance, which will have certain outcomes or results (Flippo, 1995). Furthermore, this study uses the job performance construct of Jones et al. (2010)

as its basis and also develops an accompanying 10-item instrument.

### **Hypothesis Development**

#### ***The Relationship between Ethical Leadership and Self-Esteem***

The research proposes that the ethical leadership behavior of a supervisor will affect self-esteem positively. The social exchange theory is a basis for understanding the relationship between supervisors and their subordinates. The theory suggests that a supervisor who acts positively to one's subordinates will generate subordinates to reciprocate their supervisor in the same positive ways (Settoon et al., 1996; Chughtai et al., 2015). According to research from Brockner (1988) on the behavioral plasticity hypothesis, it explained that individuals with low self-esteem tend to have more significant effects through two reasons. First, individuals who have low self-esteem will have less confidence with the suitability of their behaviors and attitudes. On the other hand, individuals with high self-esteem will be better prepared to meet the environmental standards and will be more confident with their behavior and attitudes (Brockner, 1988; Pierce et al., 1993). Pierce et al., (1993) declared that whether individuals have low self-esteem or high self-esteem, it will give a different impact on ethical leadership. Therefore, it can be hypothesized that:

**H1:** Ethical leadership positively influences self-esteem.

#### ***The Relationship between Self-Esteem and Job Performance***

Commonly in an organization, an employee's self-esteem is the central explanation of one's work performance. A qualitative review by Tharenou's study (1984) suggested inconsistent results regarding the relationship of self-esteem to job performance. Meanwhile, according to Brockner's (1988) review, more optimism suggested a correlation between self-esteem and job performance, through the relationship seems to apply in certain situations. Research

by Ferris et al. (2015) explained that when individuals have high self-esteem, they tend to prove to others and even themselves that they are valuable and qualified persons, in which their performance is as good as or even better than others. Individuals who have high self-esteem will have exemplary performance and help others in need. In addition, individuals verify their own perceptions through following the norms and ethics within their organizations (Ferris, Lian, Brown, & Morrison, 2015). Based on the statement above, it is argued that when employees have high self-esteem, they will be more active and productive. They will give their best and try to maintain their performance within their organizations. Therefore, it is hypothesized that:

**H2:** Self-esteem positively influences job performance.

### ***The Relationship between Ethical Leadership and Job Performance***

This research proposes that the ethical leadership behavior of a supervisor will affect job performance positively. The social exchange theory is a basis for understanding the relationship between supervisors and their subordinates (Resick et al., 2006). Ethical leaders play an important role in influencing the job performance of employees in achieving the objectives and goals of the organization. Research from Toor & Ofori (2009) explained that ethical leadership can act as a mediating role in the relationship between the culture of the organization and employee results. Ethical leaders can greatly affect the willingness of employees in giving more effort when they perform. When employees perceive ethical behavior from their leaders and are satisfied with their jobs, then it will lead to high employee performance (Toor & Ofori, 2009). Leaders with high ethical standards and values within the organization will affect the employees' performance (van Nierenberg et al., 2004). When ethical leaders have good ethical leadership behavior and are caring, then employees will tend to reciprocate by providing the best in their job performance.

Based on the statement above, it is argued that when ethical leadership is high, employees will be more motivated to improve their job performance in their organizations. Therefore, it is hypothesized that:

**H3:** Ethical leadership positively influences job performance.

### ***The Relationship between Ethical Leadership, Self-Esteem, and Job Performance***

Ethical leadership has several characteristics which indicate empowering leader behaviors, such as having concern for people, being open, encouraging participation in decision making, acting as a role model through visible actions, as well as communicating regularly about ethics and values. Pierce et al. (1993) declared that whether individuals have low self-esteem or high self-esteem, it will give a different impact on ethical leadership.

As explained above, research by Ferris et al. (2015) explained that when individuals have high self-esteem, they tend to prove to others and even themselves that they are valuable and qualified persons, in which their performance is as good as or even better than others. Research from Toor and Ofori (2009) explained that ethical leaders play important roles in influencing the job performance of employees in achieving the objectives and goals of the organization. Leaders with high ethical standards and values within the organization will affect the employees' performance (Van Knippenberg et al., 2004).

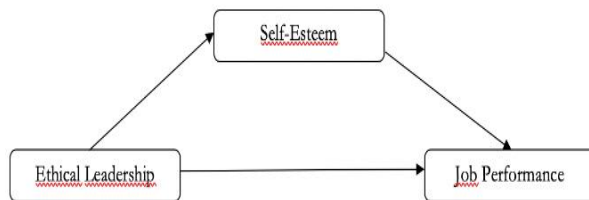
Based on the statement above, this research postulates that self-esteem is an intervening variable for linking ethical leadership to job performance. Thus, the following hypothesis is formulated:

**H4:** Self-esteem mediates the relationship between ethical leadership and job performance.

### **Research Model**

Based on the reviews of literature and hypothesis development which has been

discussed, a research model is constructed in the following graph to figure out the relationship between ethical leadership as an independent variable, self-esteem as a mediating variable, and job performance as a dependent variable.



**Fig 1.** Research Model

## RESEARCH METHODOLOGY

### Sample and Procedures

The research population for this research was employees who worked in industries in Indonesia. The consideration for choosing employees as respondents was because the researcher realized the importance of promoting ethical leadership behavior to employees, including its effects on job performance. Following a leader's ethical behavior is important for all employees when they deal with other people and often face ethical dilemmas.

Besides that, ethical leadership behavior is also important for enhancing employee job performance when they work. Overall, the existence of leaders with ethical behavior will help the staff-level employees in facing ethical dilemmas and also give a positive impact to employee work-related outcomes.

For the sample, the research only focused on employees/staff, supervisors, managers, and general managers in industries in Indonesia. A non-probability sampling technique named "snowball sampling" was used to determine the sample. Non probability sampling means that there is no probability that the respondents' population chooses themselves as sample subjects of the research (Sekaran & Bougie, 2013). Snowball sampling means that when the respondents of this research recruit other respondents. The questionnaires were distributed to the target respondents, and then they were asked to

distribute the same questionnaires to other respondents who met the same qualifications. It was called "snowball sampling" because the technique came from the analogy of a snowball, the longer it rolls, and the size will increase. This means that from a small sample size, then it will continue to grow into a bigger sample.

In determining the sample size, the researcher used the requirements about the minimum sample as stated by Hair et al., (2010). One question in the questionnaire should be represented by five collected data, so the researcher had to collect at least five respondents for each question. A total of 32 questions were used in this research, so a minimum of 160 respondents had to fill out the questionnaires.

### Measurement

This research used ethical leadership as an independent variable. The measurement of ethical leadership was adopted from Brown et al. (2005). An example of one of the items is, "My supervisor disciplines employees who violate ethical standards". The responses are on 5-point scale, with 1 = Strongly Disagree and 5 = Strongly Agree.

The mediating variable for this research is self-esteem. The research used instrument adopted from Rosenberg's study (1965). A couple of example items are, "At times I think I am no good at all," and "I take a positive attitude toward myself." All items were scored on a 4-point scale, with 1 = Strongly Disagree and 4 = Strongly Agree.

This research used job performance as a dependent variable. Next, the research used instrument adopted from Jones et al. (2010). A couple of example items are, "I am satisfied with my ability to accept responsibility and initiate positive action," and "I am satisfied with my ability to follow policies and procedures." The responses were evaluated on a 7-point scale with 1 = strongly disagree and 7 = strongly agree.

### Statistical Analysis

For testing the research hypotheses, the research used a Structural Equation

Modelling (SEM) with Partial Least Squares (PLS) approach. The consideration for using SEM to test the hypotheses was because SEM was suitable to analyse the latent variables which were hypothesized. There were three latent variables in the hypotheses: ethical leadership, self-esteem, and job performance. Since this was an exploratory research to extend previous research, then the type of structural equation model used was a partial least squares structural equation model (SEM-PLS). For the software, WarpPLS software version 3.0 was used.

**RESULT AND DISCUSSION**

**Descriptive Statistics**

Table 1 shows the demographic data from collected respondents. The majority of respondent is male or 85 (53.1%), and respondents who are female are 75 (46.9%). There are 93 or 58.1% who are between 20-25 years old. Then, follow by 43 respondents who are between 26-30 years old (26.9%). Next, there are 18 respondents (11.3%) who are between 31-35 years old. Among respondents who are between 36-40 years only 4 or 2.5%, the minority of respondents is 2 or 1.3% who are more than 40 years old. Around 82.5% of respondent who have job position as employee/staff in the organizations. The majority of respondents work in manufacturing industries with 56 respondents or 35%. And the minority respondents work in Construction Industries with 1 respondent or 0.6%.

**Table 1. Demographic Data**

Classification	Total	Percentage
<b>GENDER</b>		
Male	85	53.1%
Female	75	46.9%
<b>AGE</b>		
20-25	93	58.1%
26-30	43	26.9%
31-35	18	11.3%
36-40	4	2.5%
>40	2	1.3%
<b>POSITION</b>		
Employee/Staff	132	82.5%
Supervisor	17	10.6%
Manager	7	4.4%
General Manager	4	2.5%
<b>ORGANIZATIONS</b>		
Bank	6	3.8%
Bumn	3	1.9%
Construction	1	0.6%
Industries	10	6.3%
Entrepreneurial	7	4.4%
Entertainment	3	1.9%
Industries	12	7.5%
Financial	2	1.3%
Government	56	35.0%
Logistic Industries	18	11.3%
Manufacturing	11	6.9%
Medical	15	9.4%
Organizations	7	4.4%
Public Accounting Firms	4	2.5%
Retail	5	3.1%
Education		
Telecommunications		
Transportations		

Table 2 shows the means, standard deviations, and the Pearson correlation matrix among the variables. The results indicate that ethical leadership is positively related to self-esteem ( $r = 0.356, p < 0.01$ ). As expected, self-esteem has a positive relationship with job performance ( $r = 0.475, p < 0.01$ ). The three latent variables are found to be significantly related.

**Table 2. Descriptive Statistics & Correlation**

	Mean	SD	EL	SE	JP
1. Ethical Leadership	3.81	0.19	(0.709)		
2. Self-esteem	3.31	1.08	0.356*	(0.723)	
3. Job Performance	4.04	0.22	0.475*	0.716*	(0.730)

\* Correlation is significant at the level  $< 0.01$

### Measurement Model Analysis

A validity test is a test to measure how well an instrument that is developed measures the model that is intended to be measured. Convergent validity and discriminant validity were tested to assess the construct validity. Convergent validity was assessed by

considering several indicators based on Hair et al. (2010), such as factor loadings and average variance extracted (AVE). The results of the convergent validity test are explained in Table 3.

**Table 3.** Convergent Validity Test

Items	JP (AVE: <b>0.523</b> )	EL (AVE: <b>0.503</b> )	SE (AVE: <b>0.523</b> )
I am satisfied with my oral communication skill.	(0.685)		
I am satisfied with my written communication skill	(0.674)		
I am satisfied with my ability to accept responsibility and initiate positive action.	(0.762)		
I am satisfied with my ability to exercise my professional skills and due care.	(0.664)		
I am satisfied with my ability to follow policies and procedures.	(0.750)		
I am satisfied with my ability to plan and organize my work.	(0.783)		
I am satisfied with my ability to adapt new situation.	(0.714)		
I am satisfied with my ability to get along with others in the firm.	(0.725)		
I am satisfied with my ability to get along with client personnel outside the firm.	(0.798)		
My supervisor listens to what employees have to say.		(0.530)	
My supervisor disciplines employees who violate ethical standards.		(0.483)	
My supervisor conducts his/her personal life in an ethical manner.		(0.740)	
My supervisor make fair and balanced decisions.		(0.763)	
My supervisor discusses business ethics or values with employees.		(0.794)	
My supervisor sets an example of how to do things the right way in terms of ethics.		(0.835)	
My supervisor defines success not just by results but also the way that they are obtained.		(0.748)	
My supervisor when making decisions, asks “ what is the right thing to do?”.		(0.702)	
On the whole, I am satisfied with myself.			(0.760)
I feel that I have a number of good qualities.			(0.741)
I am able to do things as well as most other people.			(0.724)
I feel that I’m a person of worth, at least on an equal plane with others.			(0.653)
I take a positive attitude toward myself.			(0.735)

Table 3 shows the results, in which the p-value of each instrument is less than 0.001 (<0.001). It means that each item fulfils the

convergent validity requirement, which is the p-value must be less than 0.005. Then, the loading value which is shown in parentheses



reveals that the loading value of each item is more than 0.70. In some cases, it is often found that the loading requirement of 0.70 is not fulfilled, especially for a newly developed questionnaire. Therefore, Hair et al. (2013) stated that loading between 0.40–0.70 should still be considered to be maintained. It means that each item in this research fulfils the convergent validity, which is a loading value of more than 0.40. The loading value for ethical leadership indicators are 0.530 for EL1, 0.483 for EL2, 0.740 for EL3, 0.763 for EL5, 0.794 for EL7, 0.835 for EL8, 0.748 for EL9, and 0.702 for EL10. Meanwhile, the loading value for self-esteem indicators is 0.760 for SE1, 0.741 for SE3, 0.724 for SE4, 0.653 for SE7, and 0.735 for SE10. Then, the loading value for job performance indicators is 0.685 for JP3, 0.674 for JP4, 0.762 for JP5, 0.664 for JP6, 0.750 for JP7, 0.783 for JP8, 0.714 for JP9, 0.725 for JP10, and 0.798 for JP11. The other convergent validity requirement is the average variance extracted (AVE) must not be more than 0.50. According to Table 4.3, the AVE of each item is more than the threshold of 0.50. The value of each indicator is 0.503 for ethical leadership, 0.523 for self-esteem, and 0.533 for job performance.

A reliability test is a test of how consistently a measuring instrument measures whatever concept is being measured. Table 4 shows the results of the reliability test which consist of a composite reliability and Cronbach’s alpha. According to Sholihin & Ratmono (2013), the requirement for a composite reliability and Cronbach’s alpha is the value of both of them must be more than 0.70, but 0.60-0.70 is still acceptable for explanatory research. According to Table 4, all of the indicators fulfil the requirement of a composite reliability and Cronbach alpha. The value of the composite reliability is 0.887 for ethical leadership, 0.846 for self-esteem, and 0.911 for job performance. Meanwhile, the value of Cronbach’s alpha is 0.852 for ethical leadership, 0.771 for self-esteem, and 0.889 for job performance. Therefore, in conclusion the measuring instrument is consistent.

**Table 4. Reliability Test**

	EL	SE	JP
Composite Reliability	0.887	0.846	0.911
Cronbach’s Alpha	0.852	0.771	0.889

Discriminant validity was assessed by comparing the square root of the average variance extracted (AVE) with the correlation between the construct items. The research could be considered as having adequate discriminant validity if the value of the square root of AVE was higher than the correlation between the latent variables in the same column (Fornell & Larcker, 1981). As an example, the latent variable “ethical leadership” has a square root of AVE 0.709, which is higher than the correlation values in the same column of “EL”, which are 0.356 and 0.475. Thus, it provides evidence of adequate discriminant validity. Overall, the results which are presented in Table 5 reveal that the discriminant validity is adequate because all the square roots of AVE (the diagonal and bracketed) are higher than the correlation between construct items (in the off-diagonal).

**Table 5. Discriminant Validity Test**

	EL	SE	JP
1. Ethical Leadership	(0.709)		
2. Self-esteem	0.356*	(0.723)	
3. Job Performance	0.475*	0.716*	(0.730)

\* Correlation is significant at the level <0.01

A direct effect will show the direct relationship between the independent variable (ethical leadership) and dependent variable (job performance) without a mediating effect. This test had the purpose to know whether ethical leadership affects job performance directly. The results of the direct effect are shown in Figure 2.

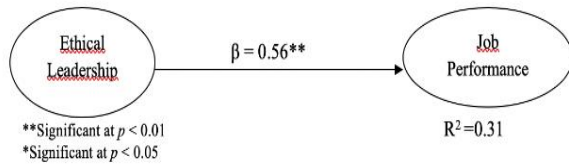


Fig 2. Direct Effect

Figure 2 shows that there is a direct relationship between ethical leadership and job performance. The results indicate that ethical leadership has a significant impact on job performance and is related positively ( $\beta = 0.56$ ,  $R^2 = 0.31$ , and  $p < 0.01$ ). Thus, it confirms hypothesis 3 which states that ethical leadership has a positive effect on job performance. Therefore, hypothesis 3 is supported.

The mediating effect shows the effect of the independent variable (ethical leadership) on the dependent variable (job performance) through the mediating variable (self-esteem). The relationship is described in Figure 3. The results in Figure 3 convey that ethical leadership affects self-esteem positively and significantly ( $\beta = 0.43$ ,  $p < 0.01$ ). Thus, it confirms hypothesis 1 which states that ethical leadership has a positive effect on self-esteem. In addition, self-esteem has a positive correlation with job performance ( $\beta = 0.77$ ,  $p < 0.01$ ). Therefore, hypothesis 1 and hypothesis 2 are also supported.

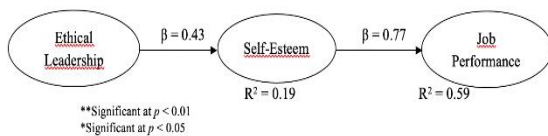


Fig 3. Hypothesized Model Direct Effect

In testing whether self-esteem fully or partially mediates the relationship between ethical leadership and job performance, a model was created as shown in Figure 4.

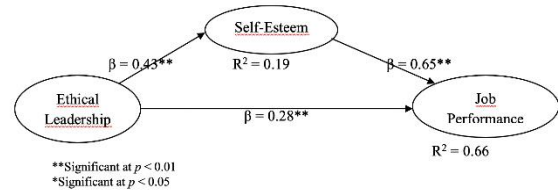


Fig 4. Test of Mediating Variable

The results in Figure 4 show that when self-esteem is a mediating variable, the association between ethical leadership and job performance is still significant ( $\beta = 0.28$ ,  $p < 0.01$ ), but the direct coefficient becomes lower from 0.56 to 0.28. It reveals that self-esteem only partially mediates the relationship between ethical leadership and job performance. Hence, support for hypothesis 4 (the relationship between ethical leadership and job performance is mediated by self-esteem) is provided. Thus, the results support hypothesis 4 of the research.

Overall, the results indicate that self-esteem partially mediates the relationship between ethical leadership and job performance. Baron & Kenny (1986) identified that partial mediation exists when the relationship between independent and dependent variables remains significant and the values of the direct effect coefficient are decreased after controlling the effects of the mediating variable.

Effect size is a test to measure the contribution of each predictor latent variable to the criterion latent variable. According to Sholihin & Ratmono (2013), there are three categories of the effect of the size, including weak (0.02), medium (0.15), and strong (0.35). The effect of the size is shown in Table 6.

Table 6. Effect of Size

	JP	EL	SE
Job Performance		0.157**	0.499***
Ethical Leadership			
Self Esteem		0.186**	

\* Weak \*\* Medium \*\*\* Strong

Table 6 shows that the value of the effect of the size for the impact of self-esteem on job performance is 0.499. It is categorized as having a strong effect of size, meaning that self-esteem has an important role of a practical perspective in enhancing job performance. The effect of size for the impact of ethical leadership on self-esteem and for the impact of ethical leadership on job performance are categorized as medium effect sizes since the values are above 0.15 (0.186 and 0.157). The results reveal that in a practical point of view, the impact of the predictor latent variable on the criterion latent variable is medium (on average).

### **Discussion**

This research proposed and examined the relationship between ethical leadership and job performance with self-esteem as the mediator in some organizations in Indonesia. In this research, the results suggest that when ethical leaders have high ethical leadership behavior, it will lead to a high level of self-esteem and a higher level of job performance.

The first finding shows that there is a significant effect of ethical leadership towards self-esteem. The theory suggests that a supervisor who acts positively to one's subordinates will generate subordinates to reciprocate their supervisor in the same positive way (Settoon et al. 1996; Chughtai et al. 2015). The results indicate that the self-esteem of employees will be higher when the ethical leadership of a leader's behavior is high.

The second finding is also supported. It confirms that self-esteem positively affects job performance. The results are in line with research carried out by Ferris et al. (2015), which explained that when individuals have high self-esteem, they tend to prove to others and even themselves that they are valuable and qualified persons, in which their performance is as good as or even better than others. In other words, a greater level of employee self-esteem may result in a greater level of positive employee job performance.

The third finding which states that ethical leadership positively affects job

performance is also supported. This result confirms research from Toor and Ofori (2009), who stated that when employees perceive ethical behavior from their leaders and are satisfied with their jobs, then it will lead to high employee performance. Leaders with high ethical standards and values within the organization will affect the employees' performance (van Knippenberg et al. (2004). In other words, when the ethical leadership behavior of leaders is high, employees will be more willing to improve their job performance in their organizations.

In this research, the mediating variable, which is self-esteem, is also found to partially mediate the relationship between ethical leadership and job performance. The findings confirm and support research from Ferris et al. (2015), who explained that when individuals have high self-esteem, they tend to prove to others and even themselves that they are valuable and qualified persons, in which their performance is as good as or even better than others. In summary, the findings in this research provide support for all the hypotheses and are in line with previous research.

### **CONCLUSION AND RECOMMENDATIONS**

The objective of this study was to examine the impact of ethical leadership on job performance using self-esteem as the mediating variable. Data was collected from 160 employees of 15 industry levels in Indonesia. SEM was used to test 4 hypotheses of this research. All hypotheses are supported. The results indicate that there are positive relationships between the ethical leadership to self-esteem and self-esteem to job performance. In addition, a positive relationship exists between ethical leadership and job performance, even though it is without a mediating variable. Moreover, self-esteem partially mediates the relationship between ethical leadership and job performance.

The results of this study indicate that when leaders have high ethical leadership behavior within organizations, it will lead to a

high level of employee self-esteem. Employees with high self-esteem will be motivated to give extra effort in their job performance. Employees with high self-esteem will be better prepared to meet the environmental standards and will be more confident with their behavior and attitudes. Therefore, when employees have high self-esteem, they will tend to prove to others or even themselves that they are valuable and qualified persons, in which they will preserve their exemplary job performance and help others in need.

This research provides important insights with contributions to the literature of ethical leadership and employees' work-related outcomes which is job performance. The results suggest that by having ethical leaders, it will generate employees to reciprocate their leaders in the same positive way. It is hoped that this study will inspire organizations to find out what factors can influence employees' job performance. The performance of employees plays an important role, especially in determining the success of an organization. In addition, the job performance of employees cannot be separated from the influence of the ethical leadership of leaders. Therefore, organizations can increase their performance if the leaders have good ethics in leading the employees, or even in their ethical behaviors and attitudes.

This research has limitations which should be noted. In this study, the results in assessing the convergent validity test through average variance extracted (AVE) are not satisfactory. The value of AVE for each variable only fits and meets the standards; the values are not far above the standard requirements. Future research can investigate and provide the factors that influence the value of AVE. Future studies also can define whether the value of AVE will change if using a different sample. In addition, future research can also be conducted in public accounting firms by using auditors as the sample.

Future research might also analyse and investigate more about ethical leadership

within organizations with other variables such as ethical climate and turnover intention. As evidenced by Demirtas et al. (2015), an ethical climate is a critical antecedent of organizational outcomes. The next research can examine whether an ethical climate can mediate the ethical leadership on employees' job performance.

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