

Relationship of ethical leadership, organizational culture, corporate social responsibility and organizational performance: a test of two mediation models

Two mediation models

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Abstract

Purpose – The sound leadership style can be indicative of organizational success and explanatory of quality performance. Besides this, there are various factors that can impact organizational performance. To this end, this study aims to investigate the effect of ethical leadership on organizational performance, with the mediating role of corporate social responsibility (CSR) and organizational culture.

Design/methodology/approach – The service sector in Jordan was targeted by this research, and data were collected from 371 middle-level and top-level managers working in service companies. These responses were analyzed by using analysis of a moment structure.

Findings – The result conveyed that ethical leadership does not only influence organizational performance, but it also, and positively so, affects the organizational culture and CSR. In addition, CSR and organizational culture significantly mediate the relationship between ethical leadership and organizational performance.

Practical implications – The findings of this study are a guide for managers and owners of service companies who are aiming to enhance organizational performance. If they follow the ethical leadership approach and emphasize CSR initiatives and organizational culture, they can attain, and naturally so, the maximum level of organizational performance.

Originality/value – To the best of the authors' knowledge, this research paper is the first to analyze ethical leadership in the context of the service sector in Jordan and highlight its influence on organizational culture, CSR and ultimately organizational performance. Moreover, it examined the mediating effects of organizational culture and CSR between ethical leadership and organizational performance.

Keywords Organizational culture, Ethical leadership, Organizational performance, Corporate social responsibility, Service sector

Paper type Research paper



1. Introduction

The economy of Jordan is ostensibly based on the private sector, and services are considered the biggest player in the market, which makes Jordan a service-oriented economy. The

statistics show the distribution of employment in Jordan by economic sector from 2009 to 2019. In 2019, 2.47% of the employees in Jordan were active in the agricultural sector, 24.45% in industry and 73.09% in the service sector. Services account for a large share of Jordan's gross domestic product (GDP) – approximately 61.59% from the services sector (O'Neill, 2022).

The service sector is the main element of growth in Jordan (International Monetary Fund, 2012), and it has more importance than any other sector (Moqbel, 2014). Jordan represents an appropriate context for ethical leadership as Jordanian businesses are amply familiar with the concept. The benefits of this leadership reside in leveraging the organizational efficient performance, organizational culture and corporate social responsibility (CSR). Now because CSR is a business tool that helps in developing an external and internal positive corporate image, it will increase profits (Nguyen *et al.*, 2021).

The direct or indirect performance of an organization is linked with the efficiency of organizational leadership, and every organization should emphasize the improvement of this efficiency (Moslehpour *et al.*, 2019). The strong moral character of a leader can help in increasing organizational growth (Hemingway and MacLagan, 2004). Similarly, many researchers highlight the fact that the performance, success and effectiveness of an organization depend upon the ethical attitude of the leader toward the organization (Feng *et al.*, 2019; Sarwar *et al.*, 2020). Leadership has the conceptual history of Aristotle's epoch impacting it, the term "ethical leadership," however, is a more specific phenomenon based on ethical behavior and virtuous actions within the workplace (Williams and Seaman, 2016).

Johnstone and Crock (2012) refer to ethics as the principles or rules that actually stimulate the conduct of humans that initiate a connection between ethics and leadership to attain bliss or happiness (Levine and Boaks, 2014). Thus, the ethical association enables ethical leaders to model their behavior in a way that can stimulate and encourage the group or group members toward attaining a common goal (Mendonca and Kanungo, 2006). Alike, Brown *et al.* (2005) explain that ethical leaderships "demonstrate integrity and high ethical standards, considerate and fair treatment of employees, and hold employees accountable for ethical conduct" (p. 130).

Many studies on ethical leadership have highlighted its performance implications in the context of Western and Asian countries (Zhu *et al.*, 2014; Zhu *et al.*, 2015; Lin *et al.*, 2020; Nguyen *et al.*, 2021; Sutawikara *et al.*, 2021). These studies have pinpointed different pathways that associate ethical leadership with organizational performance. Similarly, Shin *et al.* (2015) asserted that ethical leadership plays an important role in enhancing the performance of a firm by promoting procedural justice climates.

Waddock (2004) defines CSR as "the broad array of strategies and operating practices that a company develops in its efforts to deal with and create relationships with its numerous stakeholders and the natural environment" (p. 10). CSR is a heated debate among researchers, and a number of studies on the business perspective of CSR are emerging and expanding currently but the researchers of different areas including organizational behavior, strategy and marketing are calling for more research on the internal and intrinsic components (i.e. roles of most senior employees or management) of CSR (Hoffman and Bazerman, 2007; Du *et al.*, 2013). Hence, it is important to analyze the relationship between the leadership of senior employees or management and organizational strategies (i.e. CSR) (Du *et al.*, 2011).

Ravasi and Schultz (2006) assert that organizational culture is a set of common mental beliefs that guide organizational interpretation and action by explaining appropriate behavior for specific roles. Hofstede (1980) defines organizational culture as "the collective programming of the mind that distinguishes the members of one organization from others." The most important thing that creates interest in the organizational culture is the assumption that many organizational cultures can help in better organizational performance

(Ilies and Gavrea, 2008). Similarly, many studies have indicated that organizational culture can significantly influence organizational performance (Ahmed and Shafiq, 2014; Mousavi *et al.*, 2015; Nikpour, 2017).

The service sector in Jordan is strong; nevertheless, the small service sector firms along with international organizations are keen to solve the problem of unemployment in Jordan (Almsafir *et al.*, 2015). Alike other countries, the Jordanian service-providing companies are notably realizing the concerns of domestic customers toward CSR practices. Few studies focusing on ethical leadership, CSR and organizational performance have dwelled on the Jordanian manufacturing sector. This scarcity of literature indicates the immediate demand for more detailed research which can be referred to by service-sector firms and particularly the CSR practitioners. As the main goal of this study is to investigate the mediating role of CSR between ethical leadership and organizational performance, this research is a key guideline for advocates of CSR. The rationale for considering this mediation is that CSR can be affected by ethical leadership (Choi *et al.*, 2015).

Many studies tackled the influence of ethical leadership on CSR and focused on the manufacturing sector; only a few studies, by contrast, have shed light on the service industry (Saha *et al.*, 2020). Kim and Thapa (2018) indicate that the impact of ethical leadership on CSR can be influenced by many other factors including firm size, structure and culture. Thus, organizational culture is considered a mediator between ethical leadership and the performance of service-based organizations in Jordan.

The first contribution of this research is analyzing the influence of ethical leadership on organizational performance from the perspective of employees working in the service sector in Jordan. Therefore, the service firms in Jordan are more concerned with their operational excellence, and managers keenly consider this approach to achieve world-class performance (Shehadeh *et al.*, 2016). Hence, the character and leadership of managers can help organizations in achieving their desired performance. Hemingway and Maclagan (2004) indicate that the strong moral character of a leader can help in organizational growth, and the performance or effectiveness of an organization depends upon the ethical attitude of the leader (Sarwar *et al.*, 2020). Moreover, Kim and Thapa (2018) indicate that there is a scarcity of literature about the influence of ethical leadership on the efficiency of CSR to attain desirable organizational objectives.

The detailed literature analysis conducted by this research highlights the association of ethical leadership with CSR. In addition, the literature on this topic is well documented (Saha *et al.*, 2020; Kim and Thapa, 2018). However, the impact of ethical leadership on CSR, organizational culture and organizational performance has not been examined particularly in the service sector of Arab countries, specifically Jordan.

Second, this study has underscored the impact of ethical leadership on CSR and organizational culture. There is a need to bridge the literature gap between CSR and leadership theory and the integration of several leadership practices and dimensions (Siegel and Javidan, 2006). To this end, the study has stressed the important “stakeholder theory.” Third, it has analyzed the mediating role of organizational culture and CSR in the relationship of ethical leadership and organizational performance.

The deep investigation of the literature highlighted a research gap in analyzing how ethical leadership can improve the culture, CSR and performance of service-based organizations in Jordan. Thus, this study is an attempt to bridge this gap by investigating the direct and indirect mediating effect of organizational culture and CSR between ethical leadership and organizational performance. The research objectives of this research are given below:

- to investigate the role of ethical leadership on organizational performance;
- to highlight the effect of ethical leadership on organizational culture and CSR;
- to highlight the effect of organizational culture and CSR on organizational performance;
- to examine the mediating role of organizational culture between ethical leadership and organizational performance; and
- to examine the mediating role of CSR between ethical leadership and organizational performance.

This study has several theoretical and practical implications. In terms of theoretical implications, it has extended the literature on CSR, ethical leadership, organizational performance and organizational culture. Moreover, this research is significantly different from prior studies which merely focused on manufacturing small and medium enterprises. This research will be helpful for academicians, researchers, philanthropists, managers of services-based organizations, practitioners and policymakers who are keen on organizational performance. The results provided by this study will be a guideline for practitioners of service-based organizations in Jordan to increase their performance. Similarly, the researchers can use the results to quote in their future studies.

The article is organized in such a way that the first part shows a detailed introduction highlighting the background, contributions, motivations and objectives. The second part shows the literature review. The third and fourth parts comprise the methodology and results respectively. The fifth part is based on discussion, and after that, the other parts show the implications, conclusion and limitations of the research.

2. Literature review and hypotheses development

The literature has indicated a need to formulate theories in regard to interrelationships between CSR, ethical leadership and organizational performance (Du *et al.*, 2013; Pless *et al.*, 2011). A leadership theory emphasizing ethical contexts prefers leader-stakeholder relationships over a leader-subordinate relationship and contends that “building and cultivating [...] ethically sound relations toward different stakeholders is an important responsibility of leaders in an interconnected stakeholder society” (Maak and Pless, 2006, p. 101).

Waldman *et al.* (2006) called for the integration of different leadership dimensions and practices to bridge the literature of CSR and leadership theory. Therefore, this research has focused on Freeman’s stakeholder theory (1988), which contends that organizations can generate profit by devoting all their energies to individuals influenced by organizational decisions and by resolving stakeholders’ issues. Similarly, Nguyen *et al.* (2021) claimed that in stakeholder theory, the role of leadership in serving its stakeholders’ interests supports the connection between leadership and CSR. Therefore, this research has also focused on the stakeholder theory to link ethical leadership with CSR and the performance of service-based Jordanian organizations. There are several reasons for considering the service sector: first, this sector has a large share of Jordan’s GDP (O’Neill, 2022); second, the service sector is mostly ignored in the literature and the majority of studies focused on the manufacturing sector; third, in the service sector, the service provider (i.e. employee) matters a lot, which is not that much important in manufacturing or another sector.

2.1 Ethical leadership, organizational performance, organizational culture and corporate social responsibility

Ethics is a broader term based on the ideals, norms and principles that guide the behavior of an individual, and the ethical behavior of employees is positively influenced by organizational justice and moral attentiveness (Al Halbusi, 2022). Besides employees' ethical behavior, it is important to know the ethical behavior of employers. Schaubroeck *et al.* (2012) highlight that the leaders should develop their expectations and assumptions into ethical conduct among members of organizations by creating strong ethical cultures in their operational units and engaging themselves in ethical leadership. The two concepts of ethics and leadership have been thoroughly studied and examined by researchers; the notion of ethical leadership, nevertheless, remains undiscovered (Malik *et al.*, 2016).

Brown *et al.* (2005, p. 120) 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." The change in leadership styles must be addressed as the project moves forward (Al Nasser *et al.*, 2013). The participatory and democratic styles of leadership are perceived as ethical paradigms; the autocratic style, on the other hand, lacks ethical conduct. The participatory nature of ethical leadership enables the leaders to share their authority (privileges) with their employees or subordinates, and this inspires them. Accordingly, inspiration is a causative factor for an improvement in performance (Malik *et al.*, 2016). To this end, the organizations reinforce ethical leadership as it is an important factor in maintaining ethical values (Widyastuti *et al.*, 2020). In other words, the ethical leader implements ethics in the organization, which helps in enhancing the performance of employees (Purnama and Warsindah, 2018).

Many researchers focused on different ethical issues in service organizations in Jordan and the most studied one among them is the earnings management as it can affect the company's performance (Afifa *et al.*, 2021; Saleh *et al.*, 2020a, 2020b). The other important issue is leadership, and Abuzaid (2018) studied ethical leadership in the service sector in Jordan (i.e. the banking sector) and pointed out that it plays an important role in organizational commitment. Similarly, Butt *et al.* (2016) found that ethical leadership improves organizational performance. Therefore, on the basis of this discussion, the following hypothesis is formulated:

H1. Ethical leadership is positively tied to organizational performance.

Ethical leadership significantly influences the ethical climate and organizational justice (Al Halbusi *et al.*, 2022), and this leadership along with ethical organizational culture can influence organizational outcomes, i.e. overall performance (Konstantellou, 2016). Ethical leadership is significantly related to ethical employees' behavior, and ethical climate can mediate the relationship between ethical leadership and employees' ethical behavior (Al Halbusi *et al.*, 2021); this ethical climate is also part of organizational culture, and it can be influenced by ethical leadership.

Ethical leadership is significantly connected to employee willingness to exert extra efforts, to the satisfaction of employees with the leader, to the effectiveness of the leader, to transformational leadership and, most importantly, to the transformational culture of the organization. This leadership can play the role of mediator between employee outcomes and organizational culture (Toor and Ofori, 2009). Ouma (2017) developed a conceptual framework and underscored that ethical leadership can affect the organizational culture. Thus, the following hypothesis is designed:

H1a. Ethical leadership is positively tied to organizational culture.

Unethical practices in an organization can be avoided by establishing a strong corporate ethical climate (Ahmed and Machold, 2004), and leaders play a vital role in developing and maintaining such a climate (Ponnu and Tennakoon, 2009). Puffer and McCarthy (2008) explained that to increase CSR, a chief executive officer (CEO) of any company can establish an organizational culture grounded in ethical values; and also the ethical leadership of CEO can influence CSR (Wu *et al.*, 2015).

Saha *et al.* (2020) find that personal values impact ethical leadership, which positively affects CSR. Moreover, both external and internal environments are important in the success of the adoption of CSR practices. This research claimed that ethical leadership is an internal environmental factor that can lead to CSR. In addition, Kim and Thapa (2018) reveal that ethical leadership can influence CSR and operational performance. On the basis of this discussion, we posit the following hypothesis:

H1b. Ethical leadership is positively tied to CSR.

2.2 Organizational culture and organizational performance

Organizations develop their own culture just like regions and nations. The culture shapes the behaviors and attitudes of organizational members through the governing norms, beliefs and values (Oberföll *et al.*, 2018). The presence of organizational culture is essential for the effective performance and functioning of organizations (Yesil and Kaya, 2013). Rozsa *et al.* (2021) argue that cultural organizations possess corporate social strategies which help in promoting employee motivation by exerting a positive impact on the approach to effective personal management, employees and personal risk reduction. Thus, organizational culture is considered an important determinant that is used to highlight performance through collective efforts exerted by individual organizational members (Joseph and Kibera, 2019). In addition, many studies have investigated the relationship between organizational culture and performance and found a positive association (Yesil and Kaya, 2013; Wambugu, 2014; Tedla, 2016; Oberföll *et al.*, 2018; Tulcanaza-Prieto *et al.*, 2021; Aboramadan *et al.*, 2020; Oyemomi *et al.*, 2019); still, however, it is important to understand which performance is influenced by organizational culture.

Earnings management practices can be part of the organizational culture, but Afifa *et al.* (2021) found that these practices negatively affect the return on asset and return on equity (i.e. proxies for firm performance) and earnings quality (Saleh *et al.*, 2020a, 2020b).

Alshammari (2020) has studied the service sector of Saudi Arabia and relayed that in service-based organizations, the organizational culture plays an important role in increasing organizational performance. Zain-Ul-Abidin *et al.* (2020) analyze the organizational performance with the organizational culture of public-sector firms in Jordan. They reveal the positive relationship between organizational culture and organizational performance by focusing on the consisting theory (Denison and Mishra, 1995). The majority of studies in the literature have ignored the organizational performance of service quality firms, particularly in Jordan. Therefore, we posit the following hypothesis:

H2. Organizational culture is positively tied to organizational performance.

The thinking and understanding of CSR within the firm are influenced by the type of culture governing an organization (Linnenluecke *et al.*, 2009), as the positive attitude toward the organization can be developed by clan culture because it induces the participation of workers in CSR activities (Smircich, 1983).

Besides the type of culture, there are many cultural aspects that can lead to better CSR initiatives. In addition, [Jaakson et al. \(2009\)](#) indicated that there is no prior research on examining the relationship between organizational culture and CSR of service-based organizations. [Lee and Kim \(2017\)](#) demonstrate that many studies identifying the relation between CSR and firm performance are conceptual, and this relation is not verified in reality. Further, they argue that organizational culture can play a pivotal role in increasing CSR, which leads to better performance; whereas, [Jaakson et al. \(2009\)](#) present different results and explain that it is not necessary for organizations to have a strong culture to be good in CSR. Based on this, we develop the following hypothesis:

H2a. Organizational culture is positively tied to CSR.

2.3 Corporate social responsibility as mediator

CSR is practiced in organizations as a strategic tool, as it positively affects organizational performance ([Ali et al., 2010](#); [Aldehayyat, 2021](#)). [Davis \(1960, p. 6\)](#) defined CSR as “the managerial obligation to take action to protect and improve both the welfare of society as a whole and the interest of organizations.” The investment in CSR initiatives and their implementation is done by ethical leaders as it can influence the performance of the organization ([Manner, 2010](#)), and this performance will be enhanced if the strong ethical leaders will resist in engaging CSR activities ([Zhu et al., 2014](#)).

[Saeidi et al. \(2021\)](#) indicated there is a need for more research to enhance the knowledge of managers about CSR and its benefits in improving organizational performance. [Kim and Thapa \(2018\)](#) investigate the mediating role of CSR between ethical leadership and organizational performance. The results of their study reveal that ethical leadership influences CSR which positively affects both commercial and operational performance. Similarly, [Butt et al. \(2016\)](#) find CSR as a significant mediator between ethical leadership and organizational performance. Still, the mediation of CSR is neglected by most of the literature on the service sector aiming to identify the relationship between ethical leadership and organizational performance. Therefore, the following hypotheses have been formulated:

H3. CSR is positively tied to organizational performance.

H4. CSR mediates the relationship between ethical leadership and organizational performance.

2.4 Organizational culture as mediator

In organizations, the role of a leader is very critical as he or she is one who directs the organization toward achieving its goals ([Sutrisno, 2009](#)), and the ethical practices conducted by the leader can be beneficial for organizational performance. Moreover, ethical leadership and organizational culture both can influence organizational performance ([Nurmayanti, 2018](#)). The literature has revealed the importance of organizational culture in enhancing performance ([Schuldt and Gomes, 2020](#)), as it generates a sustained competitive advantage ([Zhao et al., 2018](#)) and derives managerial competence ([Li and Voola, 2005](#)) which can lead to financial and overall organizational performance, respectively.

[Shin et al. \(2015\)](#) identify the mediating role of procedural justice climate and firm-level ethical climate between the top management’s ethical leadership and organizational financial performance. In our research, we consider the mediation of organizational culture

between ethical leadership and organizational performance. Thus, the following hypothesis has been designed:

- H5. Organizational culture mediates the relationship between ethical leadership and organizational performance.

Finally, based on our previous discussions, Figure 1 depicts the research model.

3. Methodology

3.1 Population, sample and respondents

The study population includes all Jordanian service firms having 20 or more employees. According to the department of statistics, there are 2,571 service firms with 20 or more employees across Jordan. Initially, 600 firms were randomly selected for data collection and the team of authors along with two research assistants contacted the human resource departments of the selected firms to get permission for data collection from their managerial level employees. After granting permission, self-administrated questionnaires were distributed among the managers of selected service firms.

Questionnaires were personally delivered (by hand) to the target respondents during their office time and picked later when filled by the author with the help of two research assistants. Because English is a common language in Jordan among people who are working in managerial positions, the questionnaires distributed were in English (Aldehayyat, 2015). The study sample was selected using the non-probability purposive sampling technique, as in such sampling the respondents are selected on the basis of interest, credentials or typicality (Wilson, 2013). In purposive sampling, respondents that meet the study's specific objectives are sought out (Etikan et al., 2016).

In the current study, the target respondents were middle- and top-level managers because of their significant role in the firm's strategic growth (Hansen et al., 2008). In two months' time, the researchers were able to collect 386 responses out of 600 distributed questionnaires, from which 15 responses were excluded from the final data analysis due to incomplete information. Hence, the final responses were 371 with a successful response rate of 62%. Selected firm types along with the firm size are shown in Tables 1 and 2.

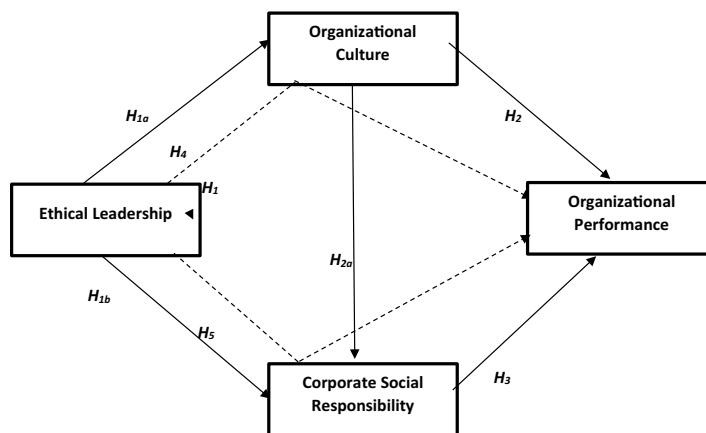


Figure 1.
Research model

3.2 Research instrument and measurements

Paper-based printed questionnaires were used to collect the data from target respondents. All the measurement items were adopted from past valid studies; nonetheless, to confirm the face validity of the questionnaires, academic experts' opinions were also obtained prior to data collection as suggested by Dillman (1978). The questionnaire comprises five sections. The first section was about organizational characteristics, including service type and firm size which measures by the number of employees.

The second section contained a set of ten items related to ethical leadership adopted from the study of Brown *et al.* (2005). The third section represented 22 items that were used to measure organizational culture and adopted from the study of Tsai (2011) and Tsui *et al.* (2006). The construct of organizational culture was multi-dimensional, having 4 dimensions: employee orientation (six items), customer focus (six items), emphasizing responsibility (six items) and emphasizing cooperation (four items).

In the fourth section of the questionnaire, 17 items related to the construct of CSR were listed. These items of CSR were adopted from the study of Turker (2009). The above-mentioned constructs (ethical leadership, organizational culture and CSR) were measured on five-point scales from "strongly disagree" to "strongly agree."

The last and fifth section of the questionnaire represents four measures of organizational performance which were previously used by El-Kassar and Singh (2019). Afifa and Saleh (2022) developed a comprehensive 13 items scale adapted from prior studies, but their scale was based on self-rating, thus, it was not used. Managers were asked to compare their company performance with their competitors, and a five-point Likert scale (1 – "much worse than competitors"; 5 – "much better than competitors") was used.

3.3 Data analysis method

Descriptive statistics, data normality, sampling adequacy and suitability of factor analysis were tested using SPSS version 26. Data validity, reliability and measurement model fitness were determined through analysis of a moment structure (AMOS)-24 by conducting factor

Service type	No. of firms
Health care	63
Education	69
Hotels and tourism	85
Transportation	22
Technology and communication	35
Utilities and energy	21
Commercial services	30
Financial and insurance	25
Others	21

Table 1.
Responding firm types

Firm size	No. of firms
20–99	73
100–199	86
200–299	95
More than 300	117

Table 2.
Resending firm size

analysis. Hypotheses were tested by performing structural equation modeling (SEM) through AMOS. SEM can be performed using covariance-based (CB-SEM) or partial least square (PLS-SEM).

CB-SEM is used mostly when one has an existing theory to test, whereas PLS-SEM is appropriate in the exploratory stage for theory building and prediction (Afthanorhan, 2013). CB-SEM is commonly applied for confirmatory or explanatory research. It is a preferred method when the goal is theory testing, theory confirmation or the comparison of alternative theories (Hair *et al.*, 2017). The study used CB-SEM as we have an existing theory to test.

4. Results

4.1 Data normality

As recommended by Kline (2015), skewness and kurtosis statistics were used to test the data normality. The results of data normality are shown in Table 3. Results show that skewness values are -1.54 to -0.21 , and kurtosis values are -1.08 to 1.88 , which are less than the recommended criteria of Kline (2015). According to Kline (2015), to comply with data, normality skewness values must be less than 3 and kurtosis values should be less than 10. Results shown in Table 3 confirm the data normality. Descriptive statistics are also presented in Table 3 that reveals mean values of all variables 3.15 to 4.01, which indicate agreement of the respondents.

4.2 Sampling advocacy and suitability of factor analysis

To test the sampling advocacy, Kaiser–Meyer–Olkin (KMO) and Bartlett’s test were conducted, and the results are shown in Table 4. KMO index (0.973), indicates excellent sampling adequacy, as the index values are higher than the recommended values of 0.80 by Hair *et al.* (1998). Furthermore, Bartlett’s Test of Sphericity confirms the suitability of the factor analysis (Sarstedt, 2019). Results shown in Table 4 establish significant results ($X^2 = 20533.784$; $df = 1378$; $P < 0.001$), which confirms the suitability of factor analysis.

Table 3.
Descriptive statistics
and test of data
normality

Variables	Min.	Max.	Mean	S.D	Skewness	Kurtosis
Ethical leadership	2.00	4.90	3.82	0.63	-0.32	-0.90
Organizational culture	1.27	5.00	3.17	1.10	-0.31	-1.08
CSR	1.53	4.41	3.15	0.62	-0.21	-0.91
Organizational performance	1.00	5.00	4.01	0.87	-1.54	1.88

Note: $N = 371$

Table 4.
KMO and Bartlett’s
test

KMO measure of sampling adequacy		0.973
Bartlett’s Test of Sphericity	Approx. chi-square	20533.784
	df	1378
	Sig.	0.000

Note: $N = 371$

4.3 Factor analysis

Prior to testing the measurement model, the validity and reliability of the data were tested using confirmatory factor analysis (CFA) through AMOS version 24. Results of CFA are shown in Table 5. Composite reliability (CR) values (0.871 to 0.912) are higher than the value of 0.70 as recommended by Nunnally and Bernstein (1994), which confirms excellent construct reliability. According to Hair *et al.* (2010), construct validity is the combination of discriminant and convergent validities. As stated by Bagozzi and Yi (1988), values of average variance extracted (AVE) and CR determine convergent validity. Values higher than 0.50 for AVE and greater than 0.70 for CR confirm the convergent validity. Results presented in Table 5 reveal excellent convergent validity as all AVE values are higher than 0.50 and CR values are higher than 0.70. As recommended by Fornell and Larcker (1981), discriminant validity of the construct is established when the square root of AVE values is higher than the constructs' correlation.

The discriminant validity is also confirmed when the heterotrait–monotrait ratio (HTMT) values are less than 0.90 (Henseler *et al.*, 2015). Results presented in Table 5 reveal that all values for the square root of AVE are higher than the constructs' correlation. Furthermore, HTMT results convey that all values are less than the threshold of 0.90 (see Table 6). The α values are shown in Table A1 given in Appendix. Furthermore, to test the common method bias, all items were loaded in a single factor and the results showed 47.867% variance in sums of squared loadings, which is less than the criteria of 50% by Podsakoff *et al.* (2003).

4.4 Factor analysis

In the area of social sciences, the proper employment of SEM offers great potential for construct validation and theory development, and for better realization of the potential of confirmatory methods, the researchers should use the two-step approach (Anderson and Gerbing, 1988). Thus on the basis of their recommendations, measurement model fitness was measured prior to testing the hypotheses. CFA technique was used to test the model fitness and the results are shown in Table A1. The measurement model comprises four

Variables	CR	AVE	MSV	1	2	3	4
1- Ethical leadership	0.892	0.501	0.387	<i>0.707</i>			
2- C.S.R	0.871	0.611	0.305	0.352***	<i>0.781</i>		
3- Org. culture	0.912	0.846	0.305	0.402***	0.624***	<i>0.920</i>	
4- Org. performance	0.886	0.660	0.387	0.553***	0.307***	0.337***	<i>0.812</i>

Notes: $N = 371$; diagonal italics are square root of AVE; *** $p < 0.001$

Table 5.
Validity analysis

Variables	1	2	3	4
1- Ethical leadership	–	–	–	–
2- C.S.R	0.466	–	–	–
3- Org. culture	0.426	0.718	–	–
4- Org. performance	0.622	0.398	0.36	–

Note: $N = 371$

Table 6.
HTMT analysis

latent variables: ethical leadership, CSR, organizational culture and organizational performance (see Figure 2). To access the measurement model-fitness, “Chi-square (χ^2/df), Tucker-Lewis index (TLI), Comparative Fit Index (CFI), Incremental fit index (IFI), and Root Mean Square Error of Approximation (RMSEA)” were used as fit indices by following Hu and Bentler (1999). The CFA results in Table 7, reveal good model-fit as all the fit indices are well in range of Hu and Bentler’s model-fit criteria ($\chi^2/df = 2.63$, RMSEA = 0.066, IFI = 0.909, TLI = 0.905 and CFI = 0.909).

4.5 Test of hypotheses

SEM was used to test the hypotheses. The current study hypothesized 6 direct relationships among latent variables and 2 indirect or mediating relationships. Results of direct effect are shown in Table 8, which unfold significant direct relationships between ethical leadership and organizational performance ($\beta = 0.281$; $P < 0.001$), between ethical leadership and organizational culture ($\beta = 0.254$; $P < 0.001$) and between ethical leadership and CSR ($\beta = 0.314$; $P < 0.001$). This results in the acceptance of H1, H1a and H1b. Besides, organizational culture is also positively related to organizational performance ($\beta = 0.313$; $P < 0.001$) and CSR ($\beta = 0.355$; $P < 0.001$), which confirm H2 and H2a. Results also show the significant

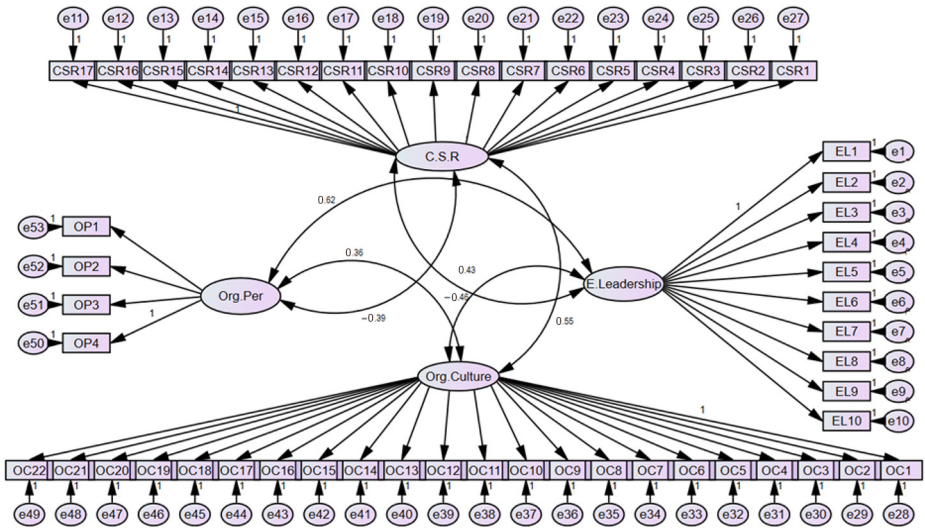


Figure 2. Measurement model

Measurement model	χ^2	DF	χ^2/df	RMSEA	IFI	TLI	CFI
4-Factor hypothesized model	3462.81	1319	2.63	0.066	0.909	0.905	0.909
Model fit criteria (Hu and Bentler, 1999)			<3.00	<0.08	>0.90	>0.90	>0.90

Table 7.

Measurement model

Note: N = 371

direct relationship between CSR and organizational performance ($\beta = 0.393$; $P < 0.001$) that leads to acceptance of *H3*.

The mediating role of CSR and organizational culture between the relationship of ethical leadership and organizational performance is tested and the results are shown in [Table 9](#). Results reveal a significant indirect effect of CSR between the relationship of ethical leadership and organizational performance ($\beta = 0.062$; $CI = 0.023-0.112$). Additionally, the results of the indirect effect are indicative of a significant indirect effect of ethical leadership on organizational performance through organizational culture ($\beta = 0.076$; $CI = 0.023-0.150$). Correspondingly, hypotheses *H4* and *H5* are also supported by study data and accepted.

5. Discussion

The service sector of Jordan is the overarching sector as compared to others; it contributes to 67% of GDP while the contribution of others is merely 33% ([Al-Azzam et al., 2017](#)). Despite its dominance, this sector is facing several problems, and the most important one is the organizational performance of service firms. Competition and globalization have led organizations to make effective strategies for enhancing organizational performance. As it is convenient to predict and analyze the performance of manufacturing firms, in service firms, nevertheless, there is a layer of difficulty because there is direct interaction of customers with employees. That being the case, the organizations can lay emphasis on their employees and other favorable strategies to enhance performance.

This study has analyzed the comprehensive area of ethical leadership and its diverse outcomes. On that account, it has contributed a lot to the empirical and theoretical literature on ethical leadership, organizational culture, CSR and organizational performance.

The first and foremost important hypothesis of the research (i.e. *H1*) proposed the positive relationship between ethical leadership and organizational performance. This positivity stipulates that ethical leaders can help organizations in attaining high performance. [Zain-Ul-Abidin et al. \(2020\)](#) also examined the relationship between organizational culture and organizational performance of Jordanian public sector

Relationships	Estimate	S.E	P
<i>H1. Ethical leadership → Organizational performance</i>	0.281	0.036	***
<i>H1a. Ethical leadership → Organizational culture</i>	0.254	0.039	***
<i>H1b. Ethical leadership → CSR</i>	0.314	0.047	***
<i>H2. Organizational culture → Organizational performance</i>	0.313	0.053	***
<i>H2a. Organizational culture → CSR</i>	0.355	0.023	***
<i>H3. CSR → Organizational performance</i>	0.393	0.063	***

Notes: *** $P < 0.001$; $N = 371$

Table 8.
Test of hypotheses (direct effect)

Relationships	Indirect Effect	S.E	LLCI	ULCI
<i>H4: Ethical leadership → CSR → Organizational performance</i>	0.062	0.023	0.023	0.112
<i>H5: Ethical leadership → Organizational culture → Organizational performance</i>	0.076	0.033	0.023	0.150

Notes: $N = 371$; LLCI: lower limit confidence interval; ULCI: upper level confidence interval

Table 9.
Test of hypotheses (indirect effect)

organizations by using consistency theory. They highlighted that according (Denison and Mishra, 1995) the consistency theory contends that organizational culture significantly influences organizational performance. The results of *H1* are in line with the prior claim of Purnama and Warsindah (2018) who explained that ethical leaders implement the organization's ethics that can help improve the performance of employees working in the organization. This leadership not only impacts innovative performance (Ullah *et al.*, 2021), but also affects overall organizational performance (Kim and Thapa, 2018). For that reason, ethical leadership being the trait of leadership or quality of a leader evidently influence the organizational performance of service sectors in Jordan. The results of *H1* also confirmed that ethical leadership can lead to better organizational performance.

The global business experts and researchers of CSR indicated CSR as a leadership-oriented task (WBCSD, 2006; Quinn and Baltes, 2007), and this indication presented different approaches to leadership including value-based leadership and ethical leadership (Treviño *et al.*, 2003). This study consequently emphasizes an important factor (i.e. CSR) and develops the third hypothesis *H1b* to investigate the relationship between ethical leadership and CSR. Many studies have shown the several factors that can influence CSR strategies or approaches and this research specifies that this factor is ethical leadership, which not only affects CSR but also influences the organizational culture. In addition, the conceptual explanation of ethical leadership proves the strong relationship between ethical leadership and CSR (Nguyen *et al.*, 2021).

H1a, the second hypothesis of the study, aims to analyze the positive relationship between ethical leadership and organizational culture. The results of *H1a* are supported by Ouma (2017) who explains the positive and significant association between ethical leadership and the transformational culture of the organization. Similarly, *H1b* is supported by studies that found a significant association between ethical leadership and CSR (Konstantellou, 2016; Tourigny *et al.*, 2019). The results of *H2* and *H2a* indicate the positive relation of organizational culture with organizational performance and CSR, respectively. The results are underpinned by Zain-Ul-Abidin *et al.* (2020) who elaborated on the significant relationship between organizational performance and organizational culture. Tedla (2016) used the organizational culture theory to reveal the effect of organizational culture on organizational performance because this theory is used by business managers to examine different business issues in the organization (Schneider *et al.*, 2013).

H3 was designed to analyze the relationship of CSR with organizational performance and *H4* dwelt on the mediating role of CSR between ethical leadership and organizational performance. The results of *H3* displayed the positive relationship between CSR and organizational performance. Singh and Misra (2021) found that the execution of CSR toward external stakeholders can influence organizational performance. Furthermore, the results support the stakeholder theory as Nguyen *et al.* (2021) highlighted that the leadership's role in serving its stakeholder's interests supports the link between leadership and CSR. Comparably, the findings of *H4* are supported by Kim and Thapa (2018) who pointed out that ethical leadership affects CSR, which can positively influence the operation and commercial performance of the organization. *H5* was developed to examine the mediating role of organizational culture between ethical leadership and organizational performance. The results clearly support the hypothesis and findings that organizational culture can better explain the relationship between ethical leadership and organizational performance.

6. Conclusions

Since the last decade, leadership and different leadership styles are associated with organizational performance, and it still remains a hot debate which leadership style can

actually lead to the performance of service-based organizations in Jordan. Moreover, there is an urgent need to identify the other factors that can directly or indirectly collude with the leadership style pertinent to enhancing the organizational performance of Jordan's service-based organizations.

This study has proved that the most viable leadership style that can influence performance is ethical leadership which, along with organizational culture and CSR, are congruous with organizational performance. Ethical leadership not only influences organizational performance but also plays an important role in developing strong organizational culture and inspiring CSR. Both of these factors positively influence organizational performance. The results provided by this research are guidelines for policymakers who are concerned with organizational performance. They can set ethical leadership, develop better organizational culture and enhance CSR for increasing organizational performance.

7. Implications, limitations and recommendations

7.1 Implications

Ethics always remains an important component of business practices, and their practical implications can lead to the enhancement of the performance of the business. The study has discussed several factors correlated to ethical leadership that can strengthen the organizational performance of service-based companies in Jordan. Thus, it has foregrounded several implications for academicians as well as practitioners.

Theoretically, this study has diverted the attention of the researcher toward the important organizational factors including ethical leadership, CSR and organizational culture. Moreover, it entails explanatory findings that explain the relationship between these factors and their impact on organizational performance. Furthermore, it has provided sufficient literature on ethical leadership, corporate culture, CSR and organizational performance. Comparatively speaking, this research is significantly different from other studies as it analyzes the two mediators (i.e. organizational culture and CSR) between ethical leadership and organizational performance; whereas prior researchers merely emphasize measuring the influence of ethical leadership on specific performance factors.

This research is entirely different from prior studies, the majority of which focused on the ethical leadership theory instead of the stakeholder theory. In addition, the literature has mostly discussed ethical leadership in the manufacturing sector. The researchers can consider this research as a guide while discussing ethical leadership or the performance of service-based organizations. Moreover, they can use the results of this research as a reference for future studies.

In terms of practical implications, this study is a guide for managers and owners of service companies. The results of this research provided different strategies to enhance organizational performance, which includes: ethical leadership, CSR and better organizational culture. Therefore, to increase organizational performance, the managers of Jordanian service-based organizations can work on the development of ethical leadership, better organizational culture and CSR.

7.2 Limitations and recommendations

Although the research has contributed significantly to the literature on CSR, organizational culture, ethical leadership and organizational performance, it has failed to escape the following limitations. First, there are multiple styles of leadership, the study, however, relied on the sole ethical style. On that matter, in the future, emerging studies can consider other styles of leadership: transformational, Islamic, responsible leadership, etc. Second, CSR was

measured as a unidimensional concept instead of considering the four dimensions defined by (Carroll, 1979, 1999).

For a comprehensive conceptual framework, future studies should include a holistic and integral four dimensions to produce a conceptual framework that is more comprehensive. Third, the research considered CSR and organizational culture as mediators and future studies can focus on the mediation of strategic agility as it also led to organizational performance. The fourth limitation of this research is that it has ignored the moderator, and it is an advantage for future researchers to make the conceptual framework broader by considering digitalization as a moderator. The fifth and last limitation of this study is that it has not highlighted the factors that can lead to ethical behavior. Thus, future studies can expand the conceptual framework of this study by indicating the important factors influencing ethical behavior, and according to Al Halbusi *et al.* (2022), these important factors include organizational justice and moral attentiveness.

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Further reading

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- "Purposive sampling", *American Journal of Theoretical and Applied Statistics*, Vol. 5 No. 1, pp. 1-4.
- Wei, Y.S., O'Neill, H. and Zhou, N. (2020), "How does perceived integrity in leadership matter to firms in a transitional economy?", *Journal of Business Ethics*, Vol. 167 No. 4, pp. 1-19.

Appendix

Two mediation models

Variables	Items	α
Ethical leadership	Conducts his/her personal life in an ethical manner	0.906
	Defines success not just by results but also the way that they are obtained	
	Listens to what employees have to say	
	Disciplines employees who violate ethical standards	
	Makes fair and balanced decisions	
	Can be trusted	
	Discusses business ethics or values with employees	
	Sets an example of how to do things the right way in terms of ethics	
	Has the best interests of employees in mind	
	When making decisions, asks "what is the right thing to do"	
	Concerning for the individual development of employees	
	Caring about opinions from employees	
	Adopting high-tech bravely	
Organizational culture	Having a clear standard on praise and punishment	0.853
	Possessing a comprehensive system and regulations	
	Setting clear goals for employees	
	Sincere customer service	
	Customer is number one	
	Providing first class service to customers	
	The profit of the customer is emphasized extremely	
	Developing new products and services continuously	
	Ready to accept new changes	
	Consideration among employees	
	Satisfying the need of customers at the largest scale	
	Emphasizing innovation	
	Keeping strictly working disciplines	
	Showing social responsibility	
	Emphasizing on economic and social profits	
	Consideration among employees	
	Satisfying the need of customers at the largest scale	
Emphasizing innovation		
CSR	Keeping strictly working disciplines	0.925
	Our company participates to the activities which aim to protect and improve the quality of the natural environment	
	Our company makes investment to create a better life for the future generations	
	Our company implements special programs to minimize its negative impact on the natural environment	
	Our company targets a sustainable growth which considers to the future generations	
	Our company supports the non-governmental organizations working in the problematic areas	
	Our company contributes to the campaigns and projects that promote the well-being of the society	
	Our company encourages its employees to participate to the voluntarily activities	
	Our company policies encourage the employees to develop their skills and careers	
	The management of our company primarily concerns with employees needs and wants	

(continued)

Table A1.
Cronbach's alpha values (reliability)

Variables	Items	α
Organizational performance	Our company implements flexible policies to provide a good work and life balance for its employees	0.897
	The managerial decisions related with the employees are usually fair	
	Our company supports employees who want to acquire additional education	
	Our company protects consumer rights beyond the legal requirements	
	Our company provides full and accurate information about its products to its customers	
	Customer satisfaction is highly important for our company	
	Our company always pays its taxes on a regular and continuing basis	
	Our company complies with the legal regulations completely and promptly	
	Market position improvement	
	Enhancing sale volume	
Enhancing the profit rate		
Enhancing the reputation		

Table A1.

About the authors

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