

# The role of ethical leadership to employees work engagement: a social learning theory perspective

The role of  
ethical  
leadership

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## Abstract

**Purpose** – This study examines the role of ethical leadership in building employee trust, knowledge sharing (KS), job satisfaction and then influencing employee engagement in the workplace.

**Design/methodology/approach** – The sample included 610 employees of Indonesia Islamic Bank, obtained through an online survey. Structural equation modelling was used to test the research hypotheses.

**Findings** – Ethical leadership actively contributes to the growth of employee trust, exchange knowledge frequent and job satisfaction and then become key points to enhance employees' engagement.

**Research limitations/implications** – Future research is required to validate across regions and organisations to in light of the findings of the topic study.

**Practical implications** – Organisational leaders and employees obtain a better understanding of ethics and organisation management field, hence employees and leaders must encourage ethical values as code of conduct in the workplace.

**Originality/value** – This study demonstrated the extent of the Khan concept for a combination of employee engagement, ethical leadership and KS. It also incorporates employee job satisfaction and the organisational engagement among employees.

**Peer review** – The peer review history for this article is available at: <https://publons.com/publon/10.1108/IJSE-03-2023-0218>

**Keywords** Ethical leadership, Trust, Knowledge sharing, Employees' job satisfaction, Work engagement

**Paper type** Research paper

## 1. Introduction

In the modern era, Enron was followed by other ethics scandals in business, government, sports, social organisations and religious organisations. It raised questions about the ethical leadership of the organisation (Mohd Ghazali, 2021). A leader has a crucial role in being the driving force of ethical behaviour for employees and organisations (Ramlawati *et al.*, 2023; Yazdanshenas and Mirzaei, 2023). Therefore, the government and professional organisations should develop clear ethical standards and laws in business and professional organisations for leaders and employees. It embedded stakeholder trust because ethical leadership is a source of wellspring to bring organisation sustainability, competitive advantage and most importantly, to regain people's trust. Leadership refers to the process of influencing others to understand and agree, and it also facilitates action to achieve personal and organisational goals (Yukl *et al.*, 2009). When leaders work based on ethical standards, employees feel safe and have more trust in the workplace, which facilitates reciprocity (Rutten *et al.*, 2016), knowledge sharing (KS) (Curado and Vieira, 2019; Engelbrecht *et al.*, 2017; Majeed and

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Samreen, 2021), job satisfaction (Özsungur, 2020) and work engagement (Özsungur, 2019). Indonesians have a particular problem with white-collar crime in government positions such as ministers, governors and auditors through financial report misstatement. In the private and public context, the number of leaders suspected of abusing their power to manipulate their financial reports and corruption indicators has become a critical issue (Rustiarini *et al.*, 2021). A high level of ethical leadership in the workplace is essential to ensure employees act in accordance with the organisation's goals and ethical codes.

The presence of ethical leadership has become a filter within government and also a factor in achieving organisational goals as well as employee trust and work engagement (Koay and Lim, 2022; Rechberg and Syed, 2013). However, in developing countries such as Indonesia, progress in fighting corruption has been slow (Quah, 2020; Rustiarini *et al.*, 2021). As of 2022, Indonesia's Corruption Perception Index (CPI) score is 34/100 and ranks 110/180 in the world. This score has increased by 2 points since 2012, compared to over thirty-two points in the previous decade (Transparency International, 2023). It's in line with African countries such as Gambia, Malawi and Sierra Leone, as well as Nepal in South Asia. In addition, Colombia, Argentina, Brazil, Ethiopia and Equatorial Guinea do much better, despite facing political instability and low social capital. Overall, ethical leadership can be seen as an innovative approach to enhancing employee engagement in the workplace by preventing unethical behaviour (Ramlawati *et al.*, 2023).

In view of the numerous ethical scandals in numerous private, public, religious and social organisations, there is a lack of ethical leadership. It makes the trustworthiness of the people plummet. From a normative or philosophical standpoint, several academics have written about ethics and leadership and made recommendations for what leaders should do. However, a more developed and integrated social science perspective on ethics and leadership is still lacking (Bavik *et al.*, 2018; Jia *et al.*, 2022; Ramlawati *et al.*, 2023). Basic queries, such as what constitutes ethical leadership, have been raised in response to ethical scandals. How does trust among employees, information exchange and job satisfaction differs under ethical leadership? How ethical leadership influences employee work engagement toward trust, knowledge sharing, and job satisfaction Therefore, this study conducted a comprehensive ethical leadership framework and linked it to employees' social capital dimensions in order to clarify the current situation and provide insights for future research from the perspective of public and private organisations.

Previous research also focused on the social or organisational level based on the impact of organisational characteristics on the effectiveness of ethical leadership (Al Halbusi *et al.*, 2021; Bavik *et al.*, 2018; Engelbrecht *et al.*, 2017). Therefore, this study examines the fundamental aspect of social learning theory (SLT) (Bandura, 1977), which assumes that employees' personal behaviour is formed by observing the behaviour of the leader and other people. According to the SLT, employee and organisation management is closely related to the personality and ability of the leader to empower other employees and share information and knowledge. In addition, learning from ethical leaders can increase employee job satisfaction and work engagement. Therefore, the main objective of this study was to investigate the influence of leadership ethics on employee work commitment, trust and exchange of knowledge and job satisfaction. In their research, Singh (2022) and Xia and Yang (2020) recommended that future studies validate the effect of ethical leadership on employees' trust and KS, which could possibly also influence employees' job satisfaction and work engagement in a private and public organisation context.

## 2. Literature review and research hypotheses development

### 2.1 Social learning theory and ethical leadership

Social learning theory suggests that ethical leaders influence the moral behaviour of society and individuals (Brown *et al.*, 2005). The way members of an organisation behave develops

through personal experience and observation of other leaders' behaviour. If the aim is to promote ethical behaviour in organisations, the process becomes essential as role modelling influences the workforce to pick up on the expectations, organisational benefits and consequences of organisation members' behaviour. Organisational leaders communicate the potential relevance of normatively appropriate behaviour to employees through moral leaders who explain the acquisition and regulation of observational learning (Bandura, 1977). It requires organisational leaders and employees to act as admirable and reliable role models (See Table 1). Ethical leadership has an effect on followers because it provides direction that followers cognitively assimilate to generate critical self-reactions and direct further actions (Ren and Chadee, 2017). This is because leaders now set the tone for the behaviour of their followers. Ethical leaders foster a sense of belonging as team members by discussing the popular issues of the organisation and their opinions and by participating in the decision-making process. Actively discussing, exchanging ideas and sharing knowledge may influence job satisfaction (Håvold *et al.*, 2021). The main value of trust and the moral component of social learning theory adequately conceptualises the influence of ethical leadership; it has become the result of employee behaviour, job satisfaction and work engagement (Özsungur, 2020; Ren and Chadee, 2017; Yazdanshenas and Mirzaei, 2023).

### *2.2 Ethical leadership, trust, knowledge sharing and job satisfaction*

Ethical leadership refers to certain activities of employees in the workplace as well as their interpersonal interactions with organisational leaders and their colleagues. It is related to personal qualities such as sincerity, reliability, altruistic motivation, moral obligation and employee competence (Rechberg and Syed, 2013). Ethical scandals in organisations have a strong correlation to ethical leadership because the organisation's code of conduct plays a central role in driving and guiding employee behaviour (Poma *et al.*, 2023). For example, ethical leadership has a positive and significant impact on employees' trust in their leader and the sustainability of the organisation (Engelbrecht *et al.*, 2017; Kmiecik, 2021). In some organisational contexts, ethical leadership also has positive effects on employees' attitudes and behaviours (Al Halbusi *et al.*, 2021), KS (Amber *et al.*, 2022; Bavik *et al.*, 2018) and job satisfaction (Ren and Chadee, 2017). The organisation management is based on trustworthiness and willingness to engage in respectful dialogue and interaction among employees. Ethical leadership emerges through two-way communication and trustworthiness to reduce fundamental barriers and pursue KS and trust among members of the organisation, which subsequently influences employee job satisfaction (Amber *et al.*, 2022; Håvold *et al.*, 2021; Koay and Lim, 2022; Mason and Leek, 2008).

*H1.* Ethical leadership has a positive impact on employee trust.

*H2.* Ethical leadership has a positive impact on employee KS.

*H3.* Ethical leadership has a positive impact on employee job satisfaction.

### *2.3 Employees trust, knowledge sharing and work engagement*

When working in a team atmosphere, trust is crucial to promoting KS among employees in an organisational setting (Edmondson, 1999). It has become a strategic resource and value to address the goals and sustainability of the organisation (Goswami and Agrawal, 2023). Recently, knowledge management has gained momentum among researchers due to the unethical behaviour of organisational leaders and rapid changes in the working environment. Building trust requires effective leadership, especially authentic and open leadership approaches (George, 2003). Trust among colleagues helps employees to develop significantly in terms of information and technology and shifts KS activities from traditional methods to

No.	Authors	Research domain and study constructs	Methodology	Results
1	<a href="#">Al Halbusi et al. (2021)</a>	Private sector Ethical leadership, ethical climate and ethical behaviour in Iraq	Quantitative through two-wave data collection	Moderate relationship between ethical leadership, ethical conduct and ethical behaviour
2	<a href="#">Amber et al. (2022)</a>	Public sector Ethical leadership and knowledge sharing in Pakistan	Quantitative Structural equation modelling (SEM)	Ethical leadership has positive and significant effect to knowledge sharing activity
3	<a href="#">Atapattu and Huybers (2021)</a>	Multi-national companies (MNC) Team work, performance, knowledge management and employees engagement in Sri Lanka	Quantitative Structural equation modelling (SEM)	Team work, performance, knowledge management play important role in influencing employees' engagement
4	<a href="#">Bavik et al. (2018)</a>	Multi-national companies (MNC) Ethical leadership, moral identity and knowledge sharing among employees in Hong Kong	Quantitative Structural equation modelling (SEM)	Ethical leadership has positive and significant effect to knowledge sharing activity with and without moral identity as mediator
5	<a href="#">Curado and Vieira (2019)</a>	Small- and medium-sized enterprises (SMEs) Trust, knowledge sharing and commitment to organisation in Portuguese	Quantitative Partial Least Square (PLS)	Trust has positive and significant effect to knowledge sharing and employees' commitment to organisation
6	<a href="#">Engelbrecht et al. (2017)</a>	Private sector Ethical leadership, psychological capital, knowledge sharing and knowledge creation in South Africa	Quantitative Structural equation modelling (SEM)	Ethical leadership has positive and significant effect to worker trust and engagement in work environment
7	<a href="#">Goswami and Agrawal (2023)</a>	Public sector Ethical leadership and knowledge sharing in India	Quantitative Structural equation modelling (SEM)	Ethical leadership has positive and significant effect to worker psychological well-being and also knowledge sharing and creation process
8	<a href="#">Håvold et al. (2021)</a>	Public sector Trust, job satisfaction and work engagement in Norway	Quantitative Structural equation modelling (SEM)	Trust has positive and significant effect to worker job satisfaction and work engagement
9	<a href="#">Kmieciak (2021)</a>	Public sector Trust and knowledge exchange in Poland	Quantitative Partial least square (PLS)	Trust has positive and significant effect to worker knowledge exchange process
10	<a href="#">Koay and Lim (2022)</a>	Public sector Ethical leadership, knowledge sharing and worker organisation commitment in Malaysia	Quantitative Structural equation modelling (SEM)	Ethical leadership has positive and significant effect to knowledge sharing, and worker work engagement
11	<a href="#">Özsungur (2019, 2020)</a>	Private sector Ethical leadership and work engagement in Turkey	Quantitative Structural equation modelling (SEM)	Ethical leadership has positive and significant effect to worker work engagement

**Table 1.**  
Structured literature review of research study

(continued)

No.	Authors	Research domain and study constructs	Methodology	Results
12	Ren and Chadee (2017)	Private sector Ethical leadership and job satisfaction in China	Quantitative Structural equation modelling (SEM)	Ethical leadership has positive and significant effect to worker self-efficacy and job satisfaction
13	Rutten <i>et al.</i> (2016)	Private sector Trust and knowledge sharing in the Netherlands	Quantitative Structural equation modelling (SEM)	Trust has positive and significant effect to worker knowledge sharing activity
14	Singh (2022)	Private sector Job satisfaction, knowledge sharing and work engagement in the USA	Quantitative Structural equation modelling (SEM)	Job satisfaction has positive and significant effect to worker knowledge sharing activity and engagement in workplace
15	Pradhan <i>et al.</i> (2019)	Public sector Ethical leadership, job satisfaction and worker engagement in India	Quantitative Structural equation modelling (SEM)	Ethical leadership has positive and significant effect to worker job satisfaction and engagement
16	Mohd Gazali (2021)	Private sector Corporate ethics and ethical judgement in Malaysia	Quantitative Structural equation modelling (SEM)	Corporate ethical value has positive and significant effect to accountant ethical judgement

Source(s): The author's work

Table 1.

online platforms based on reciprocity (Curado and Vieira, 2019; Kmiecik, 2021; Håvold *et al.*, 2021). Trust and KS in team settings also play an important role in enhancing employee relationships (Kahn, 1990). It suggests employees' work engagement, which may be followed by employees' trust levels and KS behaviour (Pradhan *et al.*, 2019; Singh, 2022). It proves that leadership ethical principles and factors such as trust play an important role in employee engagement in the workplace. In addition, KS can be effectively addressed through trust (Sumiyana *et al.*, 2022; Tynan, 2005; Xia and Yang, 2020). Clearly, there is a deeper relationship between ethical leadership, trust, KS and employee engagement in the workplace.

- H4. Trust has a positive effect on employee KS.
- H5. Trust has a positive effect on employee work engagement
- H6. Trust has a positive effect and mediates the relationship between ethical leadership and work engagement.

#### 2.4 Knowledge sharing, job satisfaction and work engagement

In addition to trust, employee job satisfaction plays an important role in organisational success (Håvold *et al.*, 2021; Ren and Chadee, 2017). KS also has a positive effect on employees' work engagement (Schaufeli and Salanova, 2011). The growing number of companies operating globally also develops prospects for sharing information and knowledge, which directly affects work outcomes (Junaiddi *et al.*, 2020). Employee KS has a positive effect on effective work engagement and makes employees work creatively and innovatively (Joplin *et al.*, 2021; Özsungur, 2019; Rutten *et al.*, 2016). The effect of employee KS on job satisfaction and work engagement is not always the same because of geographical, cultural and educational disparities. It also enables employees to share their work-related knowledge and

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increases their efforts towards innovative and collaborative work (Sumiyana *et al.*, 2022). Some academics are attempting to confirm the link between involvement and knowledge exchange. For example, Xia and Yang (2020) found that KS has a positive effect on employee engagement and motivation. It also has a crucial role for organisational leaders and employees in sharing knowledge within and across organisations (Joplin *et al.*, 2021). Atapattu and Huybers (2021) and Håvold *et al.* (2021) argue that employees' job satisfaction and work engagement are positively influenced by KS activities. This finding is supported by Singh (2022) who showed that KS has a critical effect on employee work engagement. Accordingly, the following hypotheses have been proposed.

- H7. KS has a positive effect on employee job satisfaction.
- H8. KS has a positive effect on employee work engagement.
- H9. KS has a positive effect on mediating the relationship between ethical leadership and employees work engagement.

### *2.5 Job satisfaction and employees' work engagement*

Schaufeli and Salanova (2011) define work engagement as positive fulfilment and work towards positive characterisation and commitment. Employees are invested in their jobs and the organisation they work for. In this situation, employees are more motivated to generate more work resources and carry out rote jobs that take longer and require more time and skill. Organisational leaders who are ethical, have a sense of belonging and are engaged with their work have a positive impact on motivating employees to improve their performance and come up with innovative ideas (Joplin *et al.*, 2021). Preliminary studies conclude that work engagement is strongly correlated with employees' job satisfaction and organisational commitment (Atapattu and Huybers, 2021; Huang, 2009).

Furthermore, employees' job satisfaction also has a crucial impact on the work environment (Håvold *et al.*, 2021). This shows the significance of building a positive workplace culture to increase trust, motivation and engagement. In addition, a high level of employee engagement implies a high level of energy and organisational performance resulting from the ethical leadership of the organisation (Gallego-Alvarez *et al.*, 2020). An increasing number of global issues are also developing insights into KS and social capital as one of the units. It makes employees work more creatively (Joplin *et al.*, 2021; Ren and Chadee, 2017). It also allows employees to share their skills to enhance their efforts in innovative work and to share valuable information, knowledge, ideas and expertise. Accordingly, the following hypotheses:

- H10. Job satisfaction has a positive effect on employee work engagement.
- H11. Job satisfaction has a positive role in mediating the relationship between ethical leadership and employees work engagement.

## **3. Methodology**

### *3.1 Questionnaire design*

The ethical leadership scales have ten items (Brown *et al.*, 2005). Trust was adopted from Lee and Choi (2003), which refers to the trust employees feel in their leaders, integrity, trust and a sense of loyalty to their leaders. KS is taken from Davenport and Prusak (1998) and Huang (2009). Employees' job satisfaction is taken from Håvold *et al.* (2021), and work engagement consists of seven items and is taken from Albrecht *et al.* (2015). Indonesian Islamic bank employees were invited to participate in this survey from November to

December 2021. This study also applied a pre-test and pilot test to validate all measurement items and avoid bias issues (Hair *et al.*, 2019; Podsakoff *et al.*, 2003). The participants were 680 Islamic bank employees working in accounting and finance departments. However, 610 samples were legitimate, which indicates that 93.43% of the data were responded to (See Table 2). The respondents received the questionnaires via Google Forms anonymously and at random after being formally invited to their offices. This protects against bias issues and guarantees the survey's objectivity.

In this study, respondents were asked to complete the questionnaire anonymously, and the measurement items were randomly arranged and the construct labels hidden to reduce respondents' concerns when completing the questionnaire (Podsakoff *et al.*, 2003). As for post-detection, this study applied the Harman's single-factor test proposed by Eichhorn (2014) and the common latent factor (CLF) to conduct post-detection because of the inherent weakness of the Harman's single-factor test to detect the CMV. In addition, the proposed model and study assumptions were tested using structural equation modelling (SEM). The two-step method suggested by Hair *et al.* (2019), specifically CFA, was employed in this study to evaluate the validity and reliability of the study constructs.

## 4. Results

### 4.1 Measurement and structural model

In Table 3, shown the model fit of the data to the proposed model was adequate in the confirmatory factor analysis (CFA) model (Anderson and Gerbing, 1988; Hair *et al.*, 2019). Moreover, eleven research hypotheses were confirmed (Figure 1). This study confirmed the favourable and significant effects of ethical leadership on trust, knowledge exchange and job satisfaction ( $\gamma_{11} = 0.701, p < 0.001$ ;  $\gamma_{21} = 0.496, p < 0.001$ ;  $\gamma_{31} = 0.554, p < 0.001$ ), supporting H1, H2 and H3. Additionally, trust has a positive effect on KS and less of an impact on work engagement among employees ( $\beta_{21} = 0.285, p < 0.001$ ;  $\beta_{41} = 0.016, p > 0.05$ ), thus supporting H4 and not supporting H5 in this study. Furthermore, KS has a positive impact on job satisfaction and work engagement ( $\beta_{32} = 0.304, p < 0.001$  and  $\beta_{42} = 0.146, p < 0.05$ ), supporting H7 and H8. Moreover, this study also shows that job satisfaction has a significant and positive impact on work engagement ( $\beta_{43} = 0.256, p < 0.001$ ), thus supporting support for H10. It can be seen in Table 4 the mediator variables in mediate the relationship between ethical leadership and work engagement.

Demographic items	Frequency	Percentage (%)
Gender		
Male	315	51.6
Female	295	48.4
Age		
Under 30 years old	118	19.3
31~45 years old	221	36.2
Over 45 years old	271	44.5
Education		
Bachelor's and below	369	60.5
Master's and Ph.D.	241	39.5
Time period as employee		
Below 10 years	172	28.2
11~25 years	227	37.2
Over 25 years	211	34.6

Source(s): The author's own work

**Table 2.**  
Respondent demographics



Variables Item scales	Factor loadings	$\alpha$	CR	AVE
<i>Ethical leadership</i>		0.933	0.935	0.590
EL1: Our leader conducts his/her personal life in an ethical manner	0.683			
EL2: Our leaders have shown strong concern for ethical and moral values	0.707			
EL3: Our leaders communicate a clear ethical standard for employee	0.746			
EL4: Our leaders have shown ethical behaviour in her/his decisions and actions	0.797			
EL5: Our leaders discipline employees who violate ethical standards	0.748			
EL6: Our leaders make fair and balanced decisions	0.827			
EL7: Our leaders can be trusted	0.810			
EL8: Our leaders discuss business ethics or values with employee	0.835			
EL9: Our leaders are fair and objective when evaluate employee performance	0.798			
EL10: Our leaders hold employee accountable for using ethical practises in our work	0.805			
<i>Trust</i>		0.869	0.871	0.575
TR1: I trust my leader	0.698			
TR2: I trust the integrity of my leader	0.743			
TR3: I have confidence that my leader will treat us fairly	0.787			
TR4: I am satisfied with my leader ethics	0.803			
TR5: I have a strong sense of belonging to my leader	0.757			
<i>Knowledge sharing</i>		0.920	0.923	0.572
KS1: If I get something new, I tell my colleagues about it	0.751			
KS2: I share information I have with my colleagues	0.753			
KS3: I think it is important that my colleagues know what I am doing	0.715			
KS4: I regularly tell my colleagues what I am doing	0.729			
KS5: When I need certain knowledge, I ask my colleagues about it	0.798			
KS6: I like to be informed of what my colleagues know	0.742			
KS7: I ask my colleagues about their abilities when I need to learn something	0.808			
KS8: When a colleague is good at something, I ask them to teach me how to do it	0.799			
<i>Job satisfaction</i>		0.845	0.901	0.557
JS1: I have a sense of belonging to my organisation	0.704			
JS2: I have felt "emotionally attached" to this organisation	0.761			
JS3: My leader gives us a great deal at work place	0.786			
JS4: The organisation gives us a fair salary	0.750			
JS5: I am very happy in this organisation	0.766			
JS6: My leader promotes the employees fairly	0.721			
JS7: My leader giving enough supervision in the workplace	0.779			
<i>Work engagement</i>		0.924	0.935	0.617
WE1: We know what is expected of me at work	0.798			
WE2: Our goals match the vision and mission of the organisation	0.843			
WE3: We find that the work we do is useful for my company	0.815			
WE4: We feel empowered while working for our job, as it gives us confidence about our abilities	0.746			
WE5: We believe that We are in-charge of the work we do in the organisation we work for	0.851			
WE6: We understand how our work contributes towards the achievement of organisational goals	0.756			
WE7: We are aligned with the activities of the organisation We work for	0.773			
WE8: We can group collaboration in the workplace	0.747			
WE9: We can maintain relationships at work	0.729			

**Note(s):** Fit statistics (N = 610)

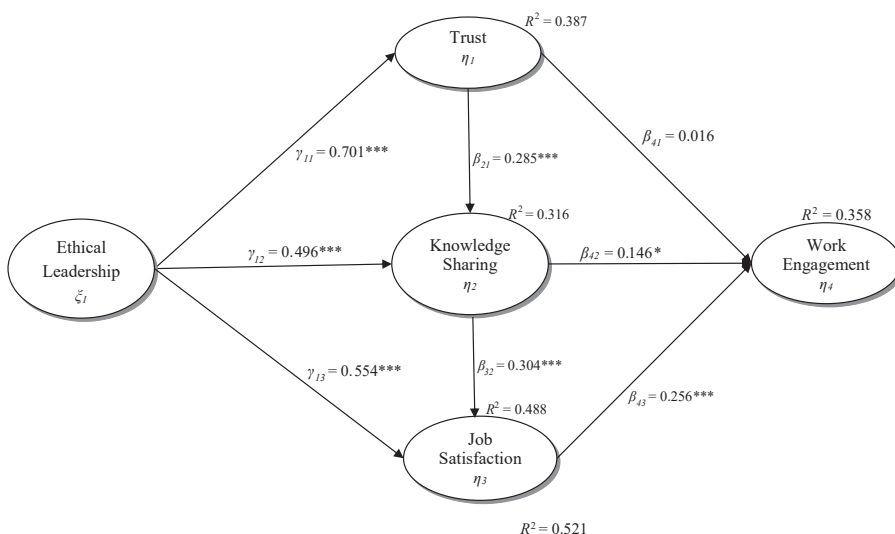
$\chi^2/df = 3.575$ , goodness-of-fit index (GFI) = 0.928, non-normed fit index (NFI) = 0.920, comparative fit index (CFI) = 0.955, incremental fit index (IFI) = 0.957 and root mean square error of approximation (RMSEA) = 0.058

**Table 3.**

Measurement results

**Source(s):** The author's own work





**Note(s):**  $\chi^2/df = 3.399$ , GFI = 0.905, NFI = 0.900, CFI = 0.931, IFI = 0.931 and RMSEA = 0.056, Significant at \* $p < 0.05$ , \*\* $p < 0.01$ , \*\*\* $p < 0.001$

**Source(s):** Author's own work

**Figure 1.** Structural model result

Hypotheses	IV	M	DV	IV → DV (c)	IV → M (a)	IV + M → DV		Test result
						IV (c)	M(b)	
H6	EL	TR	WE	0.278***	0.546***	0.351***	0.134**	Supported
				Standard error	0.047	0.028	0.038	0.054
H9	EL	KS	WE	0.261***	0.544***	0.351***	0.164**	Supported
				Standard error	0.050	0.025	0.038	0.060
H11	EL	JS	WE	0.230***	0.623***	0.351***	0.194**	Supported
				Standard error	0.052	0.025	0.037	0.058

**Note(s):** EL: ethical leadership, TR: Trust, KS: knowledge sharing, JS: job satisfaction, WE: work engagement  
Significant at \*:  $p < 0.05$ , \*\*:  $p < 0.01$ , \*\*\*:  $p < 0.001$

**Source(s):** The author's own work

**Table 4.** Mediation effects

## 5. Discussion

### 5.1 Key findings

Overall, it can be said that a leader who applies ethical concerns in their activities as well as ethical and moral values in the workplace has a crucial role in influencing employee behaviour as an ethical principle. Clear ethical standards for employees have a strong correlation to developing a positive work environment for employees through the ability and credibility of leaders. Ethical leadership also has a positive role in influencing employees' sense of belonging to the organisation. It means that a leader enhances employees' perception and contribution to develop organisational performance and work effectively. This result confirms previous studies that found that ethical leadership has a positive effect on employee trust (Al Halbusi *et al.*, 2021; Engelbrecht *et al.*, 2017; Håvold *et al.*, 2021; Rutten *et al.*, 2016). This indicates how the relationship between interactional fairness and employee innovation

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is significantly influenced by ethical leadership. Additionally, innovative employee behaviour in the management process might encourage employees to come up with good ideas. However, moral leaders place a high value on cultivating relationships of honesty and trust with their workforce. Employees will not worry that moral leaders will impose unjust and unfair sanctions since they can perceive the honesty, competency and friendliness of such leaders through innovation and consulting activities (Atapattu and Huybers, 2021; Albrecht *et al.*, 2015). As a result, the most crucial component influencing employees' trust in the workplace environment is leadership ethics. Employees' feelings of safety will be significantly improved if they perceive ethical leadership to foster innovative behaviours.

This study suggests that ethical leadership enhances KS among employees within and across organisations. The first finding supports the findings of previous limited studies that examined the influence of leadership on KS (Bavik *et al.*, 2018; Goswami and Agrawal, 2023). Ethical leaders promote KS through incentives and sanctions that affect how employees perceive costs and benefits, as well as through moral actions that foster employee trust. They make just and reasonable decisions and define success in terms of both the results and the methods used to accomplish them. These leaders' followers impart their explicit and tacit knowledge to other members of the organisation. In addition, when conventional approaches fail, the followers of these leaders creatively apply their knowledge to create new ones. They promote creativity and innovation and look at fresh options for improved problem-solving. Ethical leaders promote fair sharing of resources and engage in principled decision making (Bavik *et al.*, 2018), which encourages followers to share their knowledge for the benefit of the organisation. An ethical leader motivates followers to express and make suggestions (Yazdanshenas and Mirzaei, 2023), enables them to generate new ideas and inspires them to generate new ideas by using their imagination (Xia and Yang, 2020). This is because knowledge of new ideas is generated through experimentation, problem solving and learning from experience (Koay and Lim, 2022).

Employees' perception of the ethical aspect of their leader has been confirmed to increase their job satisfaction. This finding is consistent with other studies (Joplin *et al.*, 2021; Poma *et al.*, 2023). In the rapidly changing private and public sector landscape, cooperation among employees servants is needed to be more effective and efficient. Leaders who demonstrate ethical behaviour and manners towards individuals will serve as a reliable model for employees to practise with their colleagues. Moreover, an ethical climate created by ethical leaders also serves as a learning platform for employees to behave in a collaborative manner (Baskoro, 2022). Islamic bank organisations often face complicated problems that require many stakeholders to make decisions (Jia *et al.*, 2022). Due to its unique characteristics, the private and public sector is more likely to be motivated by economic value. Specifically, under the influence of leadership ethics and superior-subordinate relationships, civil service motivation promotes behaviour outside the role of civil servants towards colleagues. Finally, through the prism of social learning theory (Bandura, 1977), we have explained why trust, KS and job satisfaction act as mediators between ethical leadership and employee commitment in the workplace.

KS and work satisfaction have a stronger impact on employee engagement than trust as mediating variables. However, employee work engagement suffers as a result of a lack of trust. This finding supports the notion that job satisfaction and KS both contribute positively to employee engagement (Joplin *et al.*, 2021; Singh, 2022). This suggests that effective leadership fosters both employee trust and a sense of shared identity. Trust, KS and job satisfaction also play a significant role in the ethics field in mediating the relationship between ethical leadership and employee work engagement. Employees also think that KS and work involvement satisfy their expectations as engaged and satisfied workers. As a result, it also confirms that trust, KS and job satisfaction have emerged as crucial elements in connecting employees' ethics and performance.

### *5.2 Conclusions*

Leaders in organisations in the public and private sectors, as well as business and management, can use ethical leadership as a tool. The quick advancement of information technology has made it feasible to share information and expertise. Additionally, the importance of trust, information sharing and job satisfaction is inevitable to support employee engagement. The findings offer important knowledge to inspire organisational leaders and staff to embrace the social, emotional and economic aspects of the workplace through innovation and teamwork. Employees' best efforts and dedication to the organisation, for instance, are justified by their emotions due to explicit ethical behaviour and both reward and punishment systems. In order to involve staff in the process, leaders must develop ethical behaviour and fight against ethical issues during the decision-making process. The organisation's executives must therefore act in accordance with moral principles, ethical conduct, governmental regulations and religious values in order to encourage moral behaviour in the work environment.

### *5.3 Theoretical implications*

The social learning theory has been significantly influenced by this research in a number of ways, particularly as it relates to organisations and professional ethical behaviour like that of accountants and auditors. First, the results of this study extended Kahn's and social learning theories in the business and management context. The relationship between ethical leadership and employee engagement in the workplace through trust, KS and satisfaction is attracting more attention in the field of knowledge management research. As a component of the social learning theory in action, this study demonstrates the value of moral leadership in promoting employee engagement at work. The first idea emphasises the individual efforts of employees in the workplace. Recent studies have confirmed the link between leaders and employees organisational attitudes in the setting of organisations. Therefore, the diversity of organisational culture and region is not an issue for gaining insight into employee KS, performance and employee commitment to the organisation. Second, the results show a positive impact of ethical leadership on work engagement and KS. Therefore, develop an effective communication and interaction strategy consciously with regard to design management, including ethical behaviour. It will help organisations improve their brand image and performance.

### *5.4 Practical implications*

This study presents a fresh viewpoint on organisational management from a practical standpoint. Both private and public organisations need to adopt ethical leadership as a guiding principle to enhance the knowledge-sharing environment and develop appropriate platforms to facilitate discussion forums among leaders and staff. This provides a number of benefits. First, it will give employees the opportunity to enhance their knowledge and work experience, which will ultimately increase the operational efficiency of the organisation. Additionally, it will support organisational leaders and workers in creating networks and processes that allow change and ensure their sustainability. Second, networking, responding to behaviours and individuals, socialising and sharing knowledge within and across the organisation. Third, it can help prevent employee turnover problems and retain the unique knowledge they bring to the organisation. Ultimately, it can help employees and organisations draw knowledge from employees and integrate it into the organisation's knowledge base for greater use. By creating formal and informal knowledge-sharing forums and engaging in a culture of knowledge-sharing, employees and organisations can cultivate positive feelings about emotional communication. And commit to doing their job.

This study emphasises the requirement that organisational leaders exhibit ethical leadership through their personal behaviour. It focuses on developing an environment that

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encourages leaders who wish to advance ethical leadership and social capital to make decisions that are fair, honest and guided by principles. Therefore, using leadership performance indicators and leadership development programmes, management should encourage ethical principles in daily activities. In order to stop employees from acting immorally, leadership must serve as a driving force. This shows that organisations in the private and public sector might train their personnel by placing a strong emphasis on moral leadership to combat unethical behaviour and enhance organisational performance. In order to do this, leaders must give ethical leadership behaviours a high priority in their job, such as modelling ethical behaviour, advancing ethical principles and providing support. Support, promote ethical principles, act as an ethical role model and give ethical counsel. Banking organisations can create ethical leadership training programmes to teach their managers about ethical behaviour and emphasise its value for their staff. To establish relationships and encourage the values of service among employees, managers should show concern for employee welfare through their ethics policies.

### *5.5 Limitations and future research directions*

This study has a number of restrictions. First off, because the data was gathered from cross-sectional data, CMV might become a potential issue in the sample. This study used the single factor test proposed by Harman to address this problem. To thoroughly test the suggested model, next research must use a longitudinal strategy. Second, the participants were Islamic bank employees working for Indonesia, so they cannot be seen as being typical of all Indonesian workers. Therefore, various regions and perspectives should be used in future research. Future research could possibly be more representative with a larger sample. Examining the attitudes and behaviours of employees can also assist practitioners and researchers in expounding on the consequences of ethical leadership and other researched variables. Third, this study only examined employees' ethical leadership, work commitment, KS and job performance to successfully predict employees' organisational commitment. Future studies should explore other potential drivers of employee emotional engagement and job performance.

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