

UNIVERSITI TEKNOLOGI MARA

**THE MEDIATING EFFECT OF
ETHICAL CLIMATE ON THE
RELATIONSHIP BETWEEN
ETHICAL LEADERSHIP AND
EMPLOYEE ETHICAL BEHAVIOUR:
A CASE STUDY IN MAMPU,
PUTRAJAYA**

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ABSTRACT

Over the years, the main goal of leadership has been related to increase the organization's production and productivity. However, this view has begun to slowly diminish as most of human resources experts contend that leaders also have the responsibility in ensuring the moral standards and ethical conduct are exist at the workplace. Character and integrity of leaders provides a strong foundation for other personal characteristics that will direct the organizational member ethical beliefs, values, and decisions as well as initiating the perception of ethical climate. Usually, employee tends to role modelled their leader's ethical behaviour which shows how important the leader to exhibits an appropriate behaviour to influence employee ethical behaviour. This study aims to investigate the mediating effects of ethical climate towards the relationship between ethical leadership and employee ethical behaviour in MAMPU, Putrajaya. Besides, questionnaire has been used for the data collection and involves total of 136 respondents who work at lower and middle management level at MAMPU Putrajaya. The findings of the study revealed that ethical leadership is found to positively relate to employee ethical behaviour. Additionally, this relationship is significantly mediated by ethical climate. Further theoretical and practical implications are discussed and future research possibilities have also been suggested.

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CHAPTER ONE

INTRODUCTION

1.1 PREAMBLE

This chapter discusses the background of the study, problem statement, research questions, research objectives, scope of the study, the significance of study, and the definition of terms and concepts. The background of the study focuses on the ethical leadership and employee ethical behavior. In the next sections, the problem statement and the research questions are presented in detail. Besides, the research objectives and scope are also explained. Lastly the significance of this study is described and the terms and concept used are defined thoroughly.

1.2 BACKGROUND OF STUDY

Ethical leadership can be defined as the demonstration of normatively appropriate conduct through personal actions and interpersonal relationships which the application of these conduct to followers is through two-way communication: reinforcement and decision making (Brown et. al, 2005). According to Brown et. al (2005), the definition could be differentiated into two parts. The first part of was focused on how leaders demonstrate a normatively appropriate behaviors and their personal traits is which relates to the “moral person” dimension. While, for the second part of the definition it describes on ethical leader’s efforts to make values, principle and ethical standard significant through disseminating information frequently to employees. The two-way communication process enable the employees to replicate their leader’s ethical behaviors naturally and eventually they are willingly to comply with it. In addition, ethical leader can use their power and status to initiate reward for doing ethical conduct and penalize unethical conduct by holding all employees accountable for every wrong decision making they made earlier.

In terms of the theory, various studies had suggested that ethical leadership draws from social learning theory (SLT) by Bandura (1986) which proposed that ethical leaders