



THE EFFECT OF CEO ETHICAL LEADERSHIP AND SUPERVISOR
ETHICAL LEADERSHIP TOWARDS ORGANIZATIONAL COMMITMENT WITH
ORGANIZATIONAL TRUST AND SUPERVISOR TRUST AS MEDIATORS

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Abstract

This study aims to test the effect of CEO ethical leadership and supervisor ethical leadership towards organizational commitment with organizational trust and supervisor trust as mediators. The respondents of this study were 124 social organization members in DIY. The approach used in this research was survey, while the sampling technique was purposive sampling. The analysis tool used in this study was structural equation modeling with AMOS software.

Result shows that 1) CEO ethical leadership and supervisor ethical leadership has significant correlation with either organizational trust or supervisor trust; 2) supervisor trust has significant correlation with organizational commitment, 3) CEO ethical leadership and supervisor ethical leadership have correlation with organizational commitment with supervisor trust mediator.

Key Words: CEO Ethical Leadership, Supervisor Ethical Leadership, Supervisor Trust, Organizational Trust, Organizational Commitment.

I. INTRODUCTION

Badan SAR Nasional (BASARNAS/The National Search and Rescue Agency Republic of Indonesia), as a government's social organization has been striving to adapt with the



dynamically global environment. One of the efforts has been done by conducting organizational amendment so that it serves optimum performance. Organizational amendment is an effort to address issues in an organization system within the environment which is complex, prone to disaster, vulnerable to catastrophe, and low social discipline towards personal safety. Organizational amendment is believed to influence the organization's paradigm and management, with respect to its structure, strategy, or organizational culture.

Organizational amendment will not be effectively achieved if the organization's leader and employees' commitment level is still low. According to Mc. Nesse-Smith (1996), organizational commitment is defined as the employee measurement tool in relation with the goal and value of the organization. Organizational commitment does really depend on the employees' emotional condition in achieving the goal of the organization. Such commitment shall occur when employees feel comfortable being inside the organization. The leader of the organization has important role in building an effective organizational commitment. This can be done by showing good example, discipline attitude, or by carrying out the regulations in a consistent way so that organizational commitment will be achieved. Furthermore, organization leader should possess good ethics in any kinds of leadership activities in order to build employee's positive image towards the leader.

II. LITERATURE REVIEW

Organizational Commitment

Allen and Meyer (1997) explains that organizational commitment is a belief that unifies an employee with the organization where he or she works, generally proven by loyalty, work contribution and identification towards the goals and values of his or her organization. According to Colquitt, et. Al. (2009), organizational commitment has effect on whether the employee will stay or leave the organization for another job.

Ethical Leadership

Ethics have been highly influential factor in determining the success of organization (Palupi & Tjahjono, 2016). In an organization, a leadership is considered good if the leadership's functionalities are implemented according to the ethical principles embraced by the organization. Greenleaf (1977) for the first time defines ethical leadership as a leadership that is basically associated with service, or so called as servant leadership. 'Service' discussed here is about the service provided by a leader for his or her subordinates as a form of leader's responsibilities, including compassion, maintenance, and authority delegation. A leader should help his or her employees in order to improve, be more wisely, and be able to take responsibilities in carrying out any duties of functions. These statements are supported by Burns (1978), stating that a leader has main role and function, which is to enhance the employees' awareness of ethical problem as well as to help the employees to resolve any contradictory values. Kouzes and Posner (1995) explain that the idea related to ethical leadership has emerged due to the decreasing public's trust to the leaders, either leaders within a business organization or within political organization.



According to Wirawan (2013), ethical leadership is a leadership that demonstrates proper normative behavior through personal and interpersonal actions. Ethical leadership also includes such behavioral promotions to the followers via two-ways communication, reinforcement, and decision making. Ethical leadership will create a working atmosphere that is more comfortable, more productive, and more effective in resolving organizational conflicts. There are five ethical leadership principles; they are fairness, transparency, responsibility, efficiency and no conflict of interest.

Trust

Rotter (1976) defines trust as the belief in which someone's words or promises can be reliable and that someone will fulfill his or her responsibilities in an interchange relationship. This statement is emphasized by Morgan and Hunt (1994), stating that trust shall occur when someone is having self-confidence in an exchange with a partner who has integrity and reliability. Mayer, et. Al. (1995) defines trust as someone's willingness to be sensitive towards other people's action based on an expectation where other people will do particular actions to the ones who believe, without depending on the capability to observe and control.

Hypothesis Development

Ethical leadership will create a working atmosphere that is more comfortable, more productive, and more effective in resolving organizational conflicts. When employee has a good perception towards the ethical leadership of a CEO, employee will feel more comfortable being with the leader and with the organization. Such convenience will strengthen the employee's commitment towards the organization. Employee will do every possible effort in order to improve better performance in the organization.

Researches done by Choi (2014), Yogzat and Mesekiran (2016), and Engelbrecht, et. al. (2014) show that ethical leadership has positive effect on trust. Yilmaz (2008) states that organizational trust has positive correlation with organizational commitment. Elgharyan, et. al. (2013) supports that organizational trust and supervisor trust have positive correlation with organizational commitment through organization citizen behavior. Siegel (2013), in his research shows that perceived supervisor ethical leadership has positive correlation with employee affective commitment and employee normative commitment.

H₁: CEO ethical leadership has positive correlation with organizational commitment.

Other researchers have also stated that CEO ethical leadership has positive correlation with organizational trust (Engelbrecht, et. al., 2014; Choi, 2014) and supervisor trust (Choi, 2014; Yogzat and Mesekiran, 2016).

H₂: CEO ethical leadership has positive correlation with organizational trust.

H₃: CEO ethical leadership has positive correlation with supervisor trust.

When a supervisor carries out effective and ethical organizational values, employee's positive perception towards the supervisor will be built. Such positive perception will lead to the employee's convenience, thus the employee will do their optimum effort to achieve the goal of the organization. This statement is emphasized by Siegel (2013), by which in his research mentioned that perceived supervisor ethical leadership has positive correlation with employee



affective commitment and employee normative commitment. This result is accordance with Choi (2014), by which in his research it is mentioned that ethical leadership middle manager has significant correlation with organizational commitment.

H₄: Supervisor ethical leadership has positive correlation with organizational commitment.

Other studies state that supervisor ethical leadership has positive correlation with supervisor trust (Choi, 2014; Yozgat and Mesekiran, 2016) and organizational trust (Engelbrecht, et. al., 2014; Choi, 2014).

H₅: Supervisor ethical leadership has positive correlation with supervisor trust.

H₆: Supervisor ethical leadership has positive correlation with organizational trust.

According to Caproni (2001), one of the consequences resulted from the trust of the employee no matter from low level or high level towards the organization is the employee's greater intention to stay becoming members of the organization, to be a more loyal employee towards his or her duty, and to feel the sense of belonging to the organization.

When organization involves employee in any process of achieving the goal of the organization, starting from formulation planning until the execution visions, missions, purposes and strategies, employee's sense of responsibility will emerge. Therefore, employee will strive for their best to effectively attain the goal of the organization. Such condition will encourage the employee to have the sense of belonging, so any situation the employee is facing will not interfere the safety and convenience. If that kind of attitude is set in the employee's way of thinking, it will strengthen the commitment even more. This statement is supported by Yilmaz (2008) and Elgharyani, et. al. (2013) stating that organizational trust has positive correlation with organizational commitment.

H₇: organizational trust has positive correlation with organizational commitment.

Another study conducted by Lau, et. al. (2008) and Sholihin and Pike (2010) states that trust to the leader has correlation with organizational commitment.

Lau, et. al. (2008) argues that employee will tend to perceive his or her organization from way the leader behaves. An organization is represented by a management, and organization runs according to the management. Therefore, according to KetchandamdStrawser (2001), if employee has either positive or negative feeling towards the leader who is in charge in the name or organization, employee will create the same feeling towards the organization. It proves that the level of trust to the leader will be manifested as an advantageous attitude to the organization. Eventually, such attitude will influence the level of employee's organizational commitment.

H₈: Supervisor trust has positive correlation with organizational commitment.

III. RESEARCH METHOD

The sample used in this research was the members of social organization in Yogyakarta Special Region. The researcher used purposive sampling method as the technique in research sample collection. Besides, in the last stage, the researcher also used SEM with AMOS software as the analysis device.

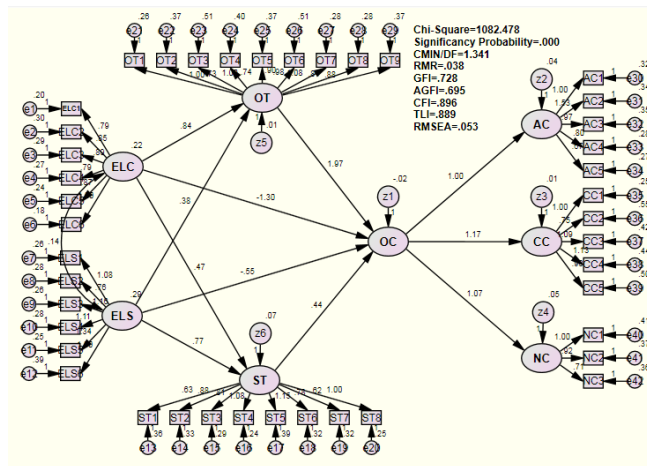


According to Allen and Mayer (1997), organizational commitment is a belief that becomes a tie for the employees to the organization where they work, shown by the existence of loyalty, involvement in the work, and identification towards values and goals of the organization. The organizational commitment itself is measured by using the indicators that have been developed by Allen and Mayer (1997) modified by Tjahjono (2015).

Greenleaf (1977) for the first time defines ethical leadership as a leadership that is essentially related to service or known as servant leadership. The service that is meant here is the service given by a leader to his subordinates that becomes the responsibility of a leader that includes nurturing, maintaining, and giving authority to the subordinates. In this case, the leader should help the employees to be better, wiser, and able to be responsible in running all the aspects of their works and functions. The leadership ethics variable in the research is measured by the indicators that have been developed by Freeman and Stewart (2006).

Mayer, et. al. (1995) defines trust as a willingness of a person to be considerate towards the acts of other people based on the expectation that other people will do certain acts to the people who trust them, without depending on their ability to supervise and control them. Trust variable in this research is measured by the indicators that have been developed by Mayer, et. al. (1995).

IV. RESULT AND DISCUSSION



Source: 2017 Data Processing.

Figure 2. Full Model SEM

Table 4.17. Hypothesis Test

		Estimate	S.E.	C.R.	P	Keterangan
OT	<-- -	CE L	.716	.132	6.364	*** Signifikan
ST	<-- -	CE L	.349	.119	3.999	*** Signifikan
OT	<-- -	SE L	.371	.091	4.157	*** Signifikan



			Estimate	S.E.	C.R.	P	Keterangan
ST	<-- -	SE L	.657	.134	5.755	***	Signifikan
OC	<-- -	O T	2.016	1.447	1.359	.174	Tidak Signifikan
OC	<-- -	ST	.520	.139	3.164	.002	Signifikan
OC	<-- -	CE L	-1.136	1.275	-1.020	.308	Tidak Signifikan
OC	<-- -	SE L	-.560	.555	-.999	.318	Tidak Signifikan

Source: 2017 Data Processing.

Table 4.18. Standardized Direct Effect Test

Variabel	SEL	CEL	ST	OT
ST	.657	.349	.000	.000
OT	.371	.716	.000	.000
OC	-.560	-1.136	.520	2.016

Source: 2017 Data Processing.

Table 4.19. Standardized Indirect Effect Test

Variabel	SEL	CEL	ST	OT
ST	.000	.000	.000	.000
OT	.000	.000	.000	.000
OC	1.089	1.625	.000	.000

Source: 2017 Data Processing.

The Test of the First Hypothesis

From Table 4.17 above, there was probability value of 0.308 that did not fulfill the requirement of < 0.05 and C.R value of -1.020 that did not fulfill the requirement of > 1.96 . Thus, the first hypothesis was **rejected**.

The Test of the Second Hypothesis

From Table 4.17 above, there was probability value of 0.318 that did not fulfill the requirement of < 0.05 and C.R value of -0.999 that did not fulfill the requirement of > 1.96 . Thus, the second hypothesis was **rejected**.

The Test of the Third Hypothesis

From Table 4.17 above, there was probability value of *** that has fulfilled the requirement of < 0.05 and C.R value of 6.364 that has fulfilled the requirement of > 1.96 . Thus, the third hypothesis was **accepted**.



The Test of the Fourth Hypothesis

From Table 4.17 above, there was probability value of *** that has fulfilled the requirement of < 0.05 and C.R value of 5.755 that has fulfilled the requirement of > 1.96 . Thus, the fourth hypothesis was **accepted**.

The Test of the Fifth Hypothesis

From Table 4.17 above, there was value in which the statement was based on the probability value of *** that has fulfilled the requirement of < 0.05 and C.R value of 3.999 that has fulfilled the requirement of > 1.96 . Thus, the fifth hypothesis was **accepted**.

The Test of the Sixth Hypothesis

From Table 4.17 above, there was probability value of *** that has fulfilled the requirement of < 0.05 and C.R value of 4.157 that has fulfilled the requirement of > 1.96 . Thus, the sixth hypothesis was **accepted**.

The Test of the Seventh Hypothesis

From Table 4.17 above, there was probability value of 0.174 that did not fulfill the requirement of < 0.05 and C.R value of 1.359 that did not fulfill the requirement of > 1.96 . Thus, the sixth hypothesis was **rejected**.

The Test of the Eighth Hypothesis

From Table 4.17 above, there was probability value of 0.002 that has fulfilled the requirement of < 0.05 and C.R value of 3.164 that has fulfilled the requirement of > 1.96 . Thus, the eighth hypothesis was **accepted**.

Supervisor Trust Role as a Mediation Variable

From the tests of direct effect and indirect effect in Table 4.18. and Table 4.19 above, it showed that supervisor ethical leadership and CEO ethical leadership had indirect influence that was bigger than direct influence towards organizational commitment through supervisor trust. Thus, it could be concluded that supervisor trust became the influence mediator between supervisor ethical leadership and CEO ethical leadership towards organizational commitment.

V. DISCUSSION

From the result of hypothesis testing, it was found that CEO ethical leadership and supervisor ethical leadership had positive influence towards organizational trust and supervisor trust. This condition explained that when a leader did his work and obligation, as well as always implemented the ethical values consistently and assertively when having relationship with his employees, it would encourage the emergence of positive attitude of the employees towards the leader. This positive attitude could be in the form of the trust of the employees that increased more towards their leader for his behavior, because the employees would feel that the leader always fought for their rights and obligations in the organization. The trust of the employees towards the leader here would closely relate to the trust towards the organization, in which the policies of the organization was surely made and implemented by the leaders of the organization. Therefore, everything given by the organization for the employees was a policy that has been determined by the organization leader.



Lau, et.al. (2008) describes that the employees tend to see their organization through the actions of the leader. The organization is represented by a management and acts through the management. So, according to Ketchand and Strawser (2001), if the employees have positive or negative feeling towards their superior who acts in the name of the organization, then the employees also have the same feeling towards their organization. It shows that the high level of trust towards the superior will probably be realized as attitudes that benefit the organization. One of the benefits is the increase of the organizational commitment of the employees.

The trust is formed when the employees have a perception that the policies made by the leaders will give positive impact for the employees. Besides, there is also viewpoint that the leader becomes the protector and always pays attention to the material and nonmaterial welfare of the employees. Thus, there will be no any form of disappointment given by the employees to the leader.

Besides, the trust of the employees for the leader will be achieved if there is optimal role of the leader of the organization in all internal aspects of the organization. It is in which the power and responsibility owned by the leader of the organization demand them to do and to run the policies consistently based on organizational and social values for the success of the organization and the welfare of the employees. When a leader seems to have a good ethics, then a strong trust for the leader will be formed and directly impact to the organizational commitment of the employees that gets high.

VI. CONCLUSION

Based on the result of the testing and analysis in the previous part, it could be concluded that CEO ethical leadership and supervisor ethical leadership had positive influence towards organizational commitment through supervisor trust. When a leader have a good ethics in doing his work and obligation based on organizational and social values, positive perception of the employees for the leader and organization would emerge. This positive perception would form the trust of the employees to the leader (supervisor trust) because there was an assumption a leader with ethics would become the protector and always paid attention to the material and non-material welfare of the employees. Therefore, there would not be any kind of disappointment that the employees would give to the leader and they would do any effort to achieve the goal of the organization.

VII. SUGGESTION

The next researcher hopefully could do some developments on the model and research areacoverage. Therefore, there would be different results and advantages from the previous relevant researches. Besides, this research hopefully could be reference for the organization leaders to comprehend the factors that influence the organizational commitment of the employees, so that some strategic steps could be done in order to increase the organizational commitment of the employees.



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