

## ANALYSIS THE ETHICAL LEADERSHIP IMPACT ON EMPLOYEE PERFORMANCE AT SERVICE OFFICE OF STATE PROPERTY AND AUCTION (KPKNL) MANADO

by:  
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### ABSTRACT

Nowdays satisfaction employee is the main task for the organization or company must do. Employee is the organization soul. Before go to the customer, organization must pay attention from the internal of their organization, must see the performance of their organization. Organization or company performances depend on the employee. Employee performances depend on the leadership of leader in the organization. Service office of state property and auction (*Kantor Pelayanan Kekayaan Negara dan Lelang/KPKNL*) has been chosen as the population for the study. Mostly leader that work in Manado comes from outside Manado. New leader, means new style of leadership that can influence the performance of employee. Many aspects will appear comes from employee when they meet with new leader that they don't know about the leader behavior and about leading also it will affect the employee performance. Based on that, Leadership in this case is ethical leadership must prove is leadership of leader that always exchange will affect the performance of employee or not. The study took 30 employees as a sample. The data was analyzed by using multiple regression analysis. The results of this study show that ethical leadership is critical to build or improve the employee performance.

**Keywords:** *ethical, leadership, employee performance.*

### INTRODUCTION

#### Research Background

All company in this world always compete each other. They always attract customer to buy their product and their service. To attract the customer, the company must to pay attention about their quality product and services, because it's a main thing that have to be done first. Quality product and services is a main job to gain customer, because when quality of product and services is low, company will lose a chance to gain customer and it will make company collapse suddenly. The quality of product and services, comes from internal of company, it's not come from external. External just for reference, but internal is main of quality of product and services. Talk about internal, it means talk about the people that's come from internal company, that have a connection direct with the quality of product and services itself. So, quality of product and services that determine the age of company itself, depend on the people comes from internal company. In internal company, have two types of people. First, leader that lead and manage the company and second is employee that have responsibility about the quality of product and services in company. So, if the two types of people that live or come from internal company have to work together and have to make a good relationship or good communication each other, because it's directly impact to the quality of product and services.

Ethical leadership considered about trust, self-efficacy, and leader member exchange. All people from inside of company needed trust each other. Untrustworthy must be avoided since it will lead the employee intention to quit from company. To prevent it, a leader should inspire the employee. A leader trust the employee, automatically a leader trust what the employee do and also for employee, when employee trust the leader can lead the company and them, it will helpful the leader performance. Self-efficacy of leader to Encourages the

employee performance also comes from a leader itself. Leadership affects follower performance because leaders serve as role models through employee can expand their knowledge by learning and acquiring new skills to improve their performance. Automatically it's also make the employee confidently and its effect to the performance of employee. Leader member exchange is important part in the company because communication and leader member exchange connect directly to the employee.

### **Research Objectives**

This research has several objectives are to analyze the impact of:

1. Ethical Leadership to the employee performance at service office of state property and auction (KPKNL) Manado simultaneously.
2. Trust to the employee performance at service office of state property and auction (KPKNL)Manado partially.
3. Self-efficacy to the employee performance at service office of state property and auction (KPKNL) Manado partially.
4. Leader member exchange to the employee performance service office of state property and auction (KPKNL) Manado partially.

## **THEORETICAL FRAMEWORK**

### **Human Resources Management**

Mondy and Noe (1993) managers at all levels must concern themselves with human resource management at least to some extent and a human resources manager is an individual who normally acts in an advisory or staff capacity, working with other managers to help them deal with human matters.

### **Ethical Leadership**

Bello (2012) leaders are thought to be receptive and open, possess traditional leadership traits such as integrity, honesty, and trustworthiness and ethical leadership includes transactional leader behaviors such as setting ethical standards and holding followers accountable for ethical conduct.

### **Trust**

Bello (2012) conditional trust is a situation whereby both parties are willing to transact with each other as long as each behaves appropriately and uses a similar interpretive scheme to define situation. Whereas conditional trust is characterized by the shared values that structure the social situation and become the primary vehicle through which individuals experience trust.

### **Self-efficacy**

Bandura (1986) listed four techniques for enhancing self-efficacy, that is, vicarious experience or modeling, verbal persuasion, affective or physiological arousal, and enactive mastery or personal attainments:

1. Performance accomplishments
2. Vicarious experience
3. Verbal persuasion.
4. Emotional arousal.

### **Leader Member Exchange**

Graen and Uhl-Bien (1996) impart a sense of urgency to look beyond the traits of effective leaders by describing a taxonomy of leadership with multiple domains including the leader, the follower, and the dyadic relationship.

## Previous Researchers

Bello (2012), The impact of Ethical Leadership on Employee Performance. Saeed et, al (2013), Ethical Behavior and Employees Job Performance in Education Sector of Pakistan. Walumbwa et, al (2010), Linking ethical leadership to employee performance: The roles of leader-member exchange, self-efficacy, and organizational identification.

## Research Hypothesis

- H<sub>1</sub>: Ethical Leadership factors impacts on employee performance simultaneously  
 H<sub>2</sub>: Trust factors impacts on employee performance partially  
 H<sub>3</sub>: Self-efficacy factors impacts on employee performance partially  
 H<sub>4</sub>: Leader Member Exchange factors impacts on employee performance partially

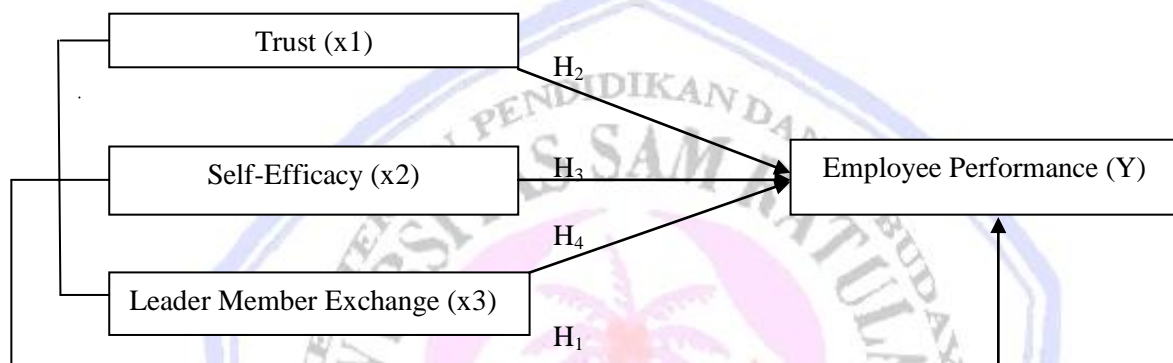


Figure 1 Conceptual Framework  
 Source: Processed data 2014.

## RESEARCH METHOD

### Type of Research

The purpose of this research is to know the impact of Ethical Leadership on Employee Performance and research is causal type.

### Place and Time of Research

This study is conducted at service office of state property and auction (KPKNL) Manado which is located in Jl. Bethesda Manado and this research regarding the employee in service office of state property and auction (KPKNL) Manado as respondents from June to July 2014.

### Population and Sample

Population is the entire group of people, events or things of interest that the researcher wishes to investigate. (Sekaran and Bougie 2009:262). The population in this research is the peoples in service office of state property and auction (KPKNL) Manado are 36 Peoples. Sample of this research is employee in service office of state property and auction (KPKNL) Manado. And sample only the employee not the leader in the office that employee total is 30 people. 6 peoples not be sample because they are the leaders.

## Data Collection Method

They are two types of data: (1) Primary Data use a Questionnaires were distributed to employee in service office of state property and auction (KPKNL) While calculating weight rating employee questionnaires using Likert scale. Likert scale was associated with a statement about one's attitude towards something. And (2) Secondary data refer to information gathered from source that already exist (Sekaran and Bougie 2009:184). In this research, secondary data is collected through: journals, textbooks, and relevant literature from library and internet.

## Data Analysis Method

### Validity and Reliability Test

The reliability of a measure is established by testing for both consistency and stability. Consistency indicates how well the items measuring a concept hang together as a set, Cronbach's alpha is a reliability coefficient that indicates how well the items in a set are positively correlated to one another (Sekaran and Bougie 2009:324). Validity is how well an instrument that is developed measure the particular concept it is intended to measure (Sekaran and Bougie, 2009:157).

### Multiple Regressions on Analysis Method

The method of analysis used in this study is multiple regression models approach the return. This method has been chosen to measure the Trust ( $X_1$ ), Self-efficacy ( $X_2$ ), Leader Member Exchange ( $X_3$ ) on Employee Performance ( $Y$ ).

$$Y = b_0 + b_1X_1 + b_2X_2 + b_3X_3 + e$$

Y	=	Employee Performance
$X_1$	=	Trust
$X_2$	=	Self-efficacy
$X_3$	=	Leader Member Exchange
$b_0$	=	Intercept
e	=	Error
$b_1, b_2, b_3$	=	The regression coefficient of each variable

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**RESULTS AND DISCUSSION**

## Result

### Validity and Reliability

The validity test of Trust ( $X_1$ ) 0.804, Self-efficacy ( $X_2$ ) 0.756, and Leader Member Exchange ( $X_3$ ) 0.584, and Employee Performance ( $Y$ ) 0.551 are above 0.3 which mean that all indicator are valid. The reliability test using Alpha Cronbach. The Cronbach's Alpha parameter, with ideal score more than 0.6. The variable are reliable because the value of Cronbach's Alpha is 0.835 which is bigger than 0.6.

**Table 1. Multiple Linear Regression**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	10.801	1.729		6.246	.000
Trust	.496	.165	.696	3.008	.006
Self-Efficacy	-.027	.185	-.036	-.147	.885
Leader Member Exchange	-.032	.142	-.042	-.222	.826

a. Dependent Variable: Employee Performance  
Source: Data Processed 2014

Multiple Regression model is as follow:

$$Y = 10.801 + 0.496 X_1 - 0.27 X_2 - 0.032 X_3$$

Y = Employee Performance

X<sub>1</sub> = Trust

X<sub>2</sub> = Self Efficacy

X<sub>3</sub> = Leader Member Exchange.

The explanations of the equation are as follow:

- Constant 10.801 shows the influence of Trust (X<sub>1</sub>), Self Efficacy (X<sub>2</sub>), Leader Member Exchange (X<sub>3</sub>), and Employee Performance (Y). It means that, in a condition where all independent variables are constant (zero), employee performance (Y) as dependent variable is predicted to be 10.801
- Variable X<sub>1</sub> (Trust) has an impact to Y (Employee Performance) as many as 0.496. in condition where other variables are constant, if there is one unit increasing in X<sub>1</sub>, Y is predicted to be increased by 0.496.
- Variable X<sub>2</sub> (Self Efficacy) has an impact to Y (Employee Performance) as many as (-0.27). In condition where other variables are constant, if there is one unit increasing in X<sub>2</sub>, Y is predicted to be increased by (-0.27).
- Variable X<sub>3</sub> (Leader Member Exchange) has an impact to Y (Employee Performance) as many as (-0.032). In condition where other variables are constant, if there is one unit increasing in X<sub>3</sub>, Y is predicted to be increased by (-0.032).

### Testing the Goodness Fit: Coefficient of Multiple Regression (R) and Coefficient Determination (R<sup>2</sup>)

R and R<sup>2</sup> are used to see the relationship between independent and dependent variables.

**Table 2. R and Rsquare**

Model	R	R Square	Adjusted Square	R Std. Error of the Estimate
1	.648 <sup>a</sup>	.420	.353	1.44067

a. Predictors: (Constant), Leader Member Exchange, Trust, Self-Efficacy

b. Dependent Variable: Employee Performance

Source: Data Processed, 2014

The result on R with the result of 0.648 indicates that there is a strong relationship between all of the variables with Employee Performance and with 42% impacted from the whole variables while the rest 58% other factors are not included into this research.

**Heteroscedasticity**

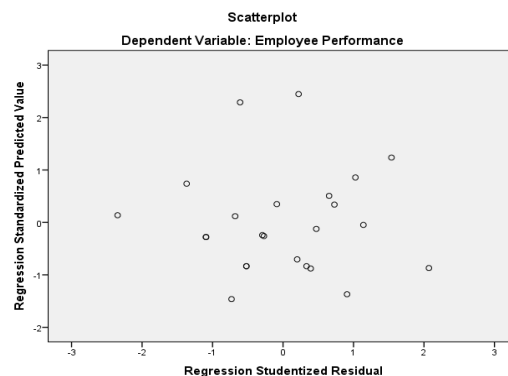


Figure 2. Heteroscedasticity Results  
Source : Processed data 2014

figure above, it is clear that there is no certain pattern formed because all the dots are spread randomly above and below 0 on Y axis. Hence, it can be concluded that there is no heterodescedascity.

**Normality**

Normality Test data is a common thing to do before a statistical method. Purpose test for normality is to determine whether the distributions of the data follow a normal distribution or close to the distribution data with normal distribution pattern (the distribution data is not skewed to the left or right).

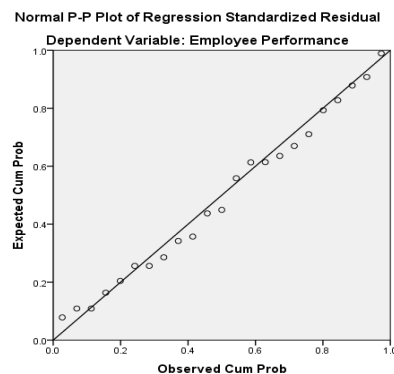


Figure 3. Normality Results  
Source : Processed data 2014

Figure 3 shows that the plots follow the diagonal line which also can clarify that the data distribution is normal.

**Table 3. Multicollinearity Test**

Model	Collinearity Statistics	
	Tolerance	VIF
1 (Constant)		
Trust	.417	2.399
Self-Efficacy	.381	2.626
Leader Member Exchange	.612	1.634

- a. Dependent Variable: Employee Performance  
Source: Data Processed 2014

The Multicollinearity problem shows through the Collinearity statistics, in the tolerance and variance inflated factors (VIF) table. If the tolerance value more than 0,10 and the VIF less than 10, it indicates there is no multicollinearity.

### Hypothesis Testing

#### F-test

F- test is to test the simultaneous impact of independent variables ( $X_1, X_2, X_3$ ) towards Y (Employee Performance) as dependent variable. In determining the F-test, need to see the value of Fcount and Ftable. If  $F_{count} > F_{table}$  (Fcount is more than Ftable),  $H_a$  is accepted and if  $F_{count} < F_{table}$  (Fcount is lesser than Ftable),  $H_a$  is rejected. To identify the value of Ftable, it can be calculated with  $F_{table} = F_{INV}(0,05, k-1, n-k)$ . The ANOVA table below is the result of F-test which computed through SPSS statistical calculation.

**Table 4. F-test**

Model	Sum of Squares	Df	Mean Square	F	Sig.
1 Regression	39.003	3	13.001	6.264	.002 <sup>b</sup>
Residual	53.964	26	2.076		
Total	92.967	29			

- a. Dependent Variable: Employee Performance  
b. Predictors: (Constant), Leader Member Exchange, Trust, Self-Efficacy  
Source: Data Processed 2014

$F_{count} > F_{table}$  ( $F_{count}$  is larger than  $F_{table}$ ), then the regression model of F-test can be defined  $6.264 > 3.354$  which means  $H_0$  is rejected and  $H_1$  is accepted. The regression model can be used to explain that independent variables such as  $X_1$  (Trust),  $X_2$  (Self Efficacy),  $X_3$  (Leader Member Exchange) simultaneously impact the dependent variable which is Y (Employee Performance).

#### t-test

t-test is a statistical test that establishes a significant mean difference in a variable between two groups, Sekaran and Bougie (2009). t-test is a test which is used to determine the significant impact of the independent variables  $X_1$  (Trust),  $X_2$  (Self Efficacy),  $X_3$  (Leader Member Exchange) partially towards Y (Employee Performance) as the dependent variable. According to t-test if  $t_{count} > t_{table}$  ( $t_{count}$  is larger than  $t_{table}$ ),  $H_0$  is rejected and if  $t_{count} < t_{table}$  ( $t_{count}$  is lesser than  $t_{table}$ ),  $H_0$  is accepted. The value of  $t_{table}$  is obtained by following the formulation which is  $t_{table} = T_{INV}(0.05, n-k)$ . The table 5.13 is the result of t-test by using SPSS statistical calculation coefficients below.

**Table 5. t-test**

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	10.801	1.729		6.246	.000
Trust	.496	.165	.696	3.008	.006
Self-Efficacy	-.027	.185	-.036	-.147	.885
Leader Member Exchange	-.032	.142	-.042	-.222	.826

a. Dependent Variable: Employee Performance  
Source: Data Processed 2014

The partial impacts of each independent variable are explained as follows:

a. Trust and Employee Performance

The value of  $t_{count}$  of  $X_1$  (Trust) is 3.008 and the value of  $t_{table}$  is 2.051,  $t_{count} > t_{table}$  ( $t_{count}$  is larger than  $t_{table}$ ). Based on the result,  $H_0$  is accepted and  $H_1$  is accepted which means  $X_1$  (Trust) impact Y (Employee Performance) partially.

b. Self Efficacy and Employee Performance

The value of  $t_{count}$  of  $X_2$  (Self-efficacy) is -0.147 and the value of  $t_{table}$  is 2.051,  $t_{count} < t_{table}$  ( $t_{count}$  is lesser than  $t_{table}$ ). Based on the result,  $H_0$  is accepted and  $H_2$  is rejected which means  $X_2$  (Self Efficacy) does not impact Y (Employee Performance) partially.

c. Leader Member Exchange and Employee Performance

The value of  $t_{count}$  of  $X_3$  (Leader Member Exchange) is -0.222 and the value of  $t_{table}$  is 2.051,  $t_{count} < t_{table}$  ( $t_{count}$  is lesser than  $t_{table}$ ). Based on the result,  $H_0$  is accepted and  $H_3$  is rejected which means  $X_3$  (Leader Member Exchange) does not impact Y (Employee Performance) partially.

## Discussion

The result of F-test is  $H_0$  is rejected and  $H_1$  is accepted. The regression model can be used to explain that independent variables such as Trust, Self Efficacy, and Leader Member Exchange simultaneously impact the dependent variable which is Employee Performance. It means Ethical Leadership has impact significant impact on employee performance. So Be good in leadership in this case is ethical leadership to make the employee performance be good also

The result of the multiple regression analysis shows that the value of significance obtained for Trust is  $H_0$  is accepted and  $H_1$  is accepted which means Trust impact Employee Performance partially. This result is supported by previous research of Bello (2012) that indicated trust has significant impact to employee performance. This means most of the employees performance will be increase by trust as an important factor in impacting their performance at work. Most of the respondents of Service office of state property and auction (KPKNL) answered or pick trust is the important part for their performance. The company or in this case is leader must pay attention and improve the trust cycle in the company/organization, because based on the result the performance of employee depend of the trust between employee and leader.

The result of the multiple regression analysis shows that the value of significance obtained for Self-efficacy is  $H_0$  is accepted and  $H_2$  is rejected which means this mean there is an insignificant connection between Self Efficacy and Employee Performance. This could be described the employee only focus with their job and do not care about leader attitude or performance. In this case leader behavior, attitude, or leader skill in Service office of state property and auction (KPKNL) Manado not effected the employee performance. Employee at there will not interfere by leader, because the efficacy of Service office of state property and auction (KPKNL) really low at can't influence the employee in this case the performance of employee. Leader must improve the efficacy skill at Service office of state property and auction (KPKNL) Manado, because they in this case leader



will be useless if they efficacy is still low. It must increase or improve, because if not, employee will kick out the leader and not respect the leader. To cover that, leader must pay attention about the efficacy of the leader itself, so they can control and manage the employee at there.

The result of the multiple regression analysis shows that the value of significance obtained for Leader Member Exchange is  $H_0$  is accepted and  $H_3$  is rejected which means that Leader Member Exchange does not impact on Employee Performance. Which means whoever the leader for their institution, it will not effect to the employee performance or work. Service office of state property and auction (KPKNL) Manado already has many offices around Indonesia. So, director of Service office of state property and auction (KPKNL) has made program that the employee always move from 1 office to another office, to make them understand with another job. It happens also to the leader, always move from 1 office to another office. When the leader move to another office, it's hard to adjust with new office and also the new employee. To control the employee also becomes hard. But based on the data, employee not getting interfere if the leader member exchange happen at their office, they performance still same and how many times their leader at their office move or change, it will not effect to the employee performance at Service office of state property and auction (KPKNL)Manado.

Walumbwa et, al (2010) China in their journal Self Efficacy and Leader Member Exchange has significant impact to the employee performance and Has important task that always effect to the employee performance. In my research in Service office of state property and auction (KPKNL) based on data that I got from there the result shows that Self-efficacy and Leader Member Exchange has not significant impact partial to the employee performance. So, the organization or company in this case is leader must increase the Self-efficacy and Leader Member Exchange to make significant impact partial to the employee, it means leader in the organization is useful to the employee and to their performance.

## CONCLUSIONS AND RECOMMENDATIONS

### Conclusion

There are four constructive findings that can be concluded from the overall result in this research, which are listed as follow:

- a. Trust, self-efficacy, and leader member exchange, has impact employee performance simultaneously.
- b. Self-Efficacy has an impact on employee performance but not significant.
- c. Leader Member Exchange has an impact on Employee Performance but not significant.
- d. Trust has impact on employee performance significant.

### Recommendations

The recommendations given are as follow:

- a. The leader of Service office of state property and auction (KPKNL) have to make interest about employee, so that it can control the performance of employee and will see the impact of leader to the performance, and corporate leaders should reward ethical conduct and discipline unethical conducts also should make decisions that promote and compensate employees who are not only good on what they do but also have sound relationship.
- b. To the organization/company, it is recommended to keep improve the ethical leadership for the company particularly must as it shows significant impact on employee performance. Hence, it is important to always keep an eye on trust way towards the employees. As for the insignificant, the organization/company is recommended to concern about self-efficacy and leader member exchange on the employees' performance even more.

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