IMPACT OF ETHICAL LEADERSHIP ON EMPLOYEE COMMITMENT IN NIGERIA: A STUDY OF INNOSON TECHNICAL AND INDUSTRIAL COMPANY LIMITED ENUGU, NIGERIA

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Abstract
This study is on the impact of Ethical Leadership on Employee Commitment in Nigeria: A Study of Innoson Technical and Industrial Company Limited Enugu, Nigeria. The study made use of Social Learning Theory. Social learning theory has been applied to ethical leadership as a means of explaining the primary method by which ethical leaders influence their followers. Primary data were collected through five point likert scale questionnaire administered on staff and customers of the studied company. The findings revealed that there is a strong negative and significant impact of integrity on continuance commitment of Innoson Technical and Industrial Company Limited Enugu and that there is a strong positive and significant impact of equal treatment on active commitment of Innoson Technical and Industrial Company Limited Enugu. The implication of this result is that appropriate ethical leadership contributes to performance of the employees, to strive to larger market share and that ethical leadership has increased the level of employee commitment among staff of the company. Based on the findings, the study recommends, among other things, that organizations should adopt ethical leadership that matches every situation and employees should get the best out of employee’s integrity. This is because, integrity was found to negatively impact on continuance commitment.

Keywords: Commitment, Integrity, Ethical, Leadership, Employee
Introduction
Leadership is the essential resource for creating and sustaining organizations, communities and societies. It involves establishing clear vision, sharing that vision with others so that they will follow willingly, providing information, knowledge and methods to realize that vision, coordinating and balancing the conflicting interests of all members and stakeholders. Leadership can be taught, though it can be learned and enhanced through coaching or mentoring. Education, job, and life experience can shape leader’s philosophy and psychology. Leaders step up in times of crisis and are able to think and act creatively in difficult situations. Despite the failures, leaders will continue with passion and innovation towards success. Leaders act in inspiring subordinates to perform and engage in achieving an objective or a goal (Mesick and Kramer, 2004).

Ethical leadership is leadership that is directed by respect for ethical beliefs and values and for the dignity and rights of others. It is thus related to concepts such as trust, integrity, honesty, consideration, equal treatment, charisma and fairness. Ethical leadership is a clarion call to the recent credit crisis, the worst global recession since the 1930s; and the various scandals in former leading corporate business organizations. The Enron, Arthur Andersen, WorldCom, Tyco, Parmalat and Health South are among many businesses in the developed countries where leaders failed ethically for a variety of reasons, which may include pressures to achieve, perform and to "win at all costs" (Bello, 2012). Top executives of corporate organizations contribute to the recent financial crisis by making fraudulent decisions that artificially inflate profits to increase compensation (Berenbeim, 2009; O’Connell and Bligh, 2009; Victor and Soutar, 2005). In a survey conducted in 2010 among developed countries, it was revealed that the most significant ethical issues to organizations are bribery, corruption and facilitation payments; whistle blowing/speaking up and discrimination, harassment (Webley, Basran, Hayward & Harris, 2011). For instance, Texaco in 1996 made $176 million settlement for racial discrimination; Mitsubishi Motor Corporation settled $34 million in 1998 after a government investigation of pervasive sexual harassment and Louisiana – Pacific Corporation paid a fine of $37 million in 1998 for customer and environmental fraud among other unethical practices. Apart from cases of unethical practices in developed nations, evidences are also available in developing countries.

For instance, Nigeria, one of the developing countries in the sub-Saharan Africa has witnessed increase in the rate of corporate failures. There were reported cases of corporate failures in Nigeria which were attributed to unethical practices of corporate leaders. The Nigerian banking sub-sector was at the halt of collapse in 1997, twenty-six commercial banks failed due to financial irregularities. In 2006, Cadbury Nigeria Plc, one of the leading Food and Beverages firms in Nigeria was affected by financial scandal. Cadbury Nigeria Plc financial statement and accounts was falsified at the detriment of all stakeholders. Also in August 2011, three Nigerian banks namely, Afribank Plc, Spring Bank Plc and Bank PHB failed due to financial irregularities of their corporate managers. These banks were among the eight banks placed under Central Bank of Nigeria (CBN) management in August 2009 following the clean-up of the banking industry (CBN, 2015). Ethical behaviour includes key principles such as
honesty, integrity, fairness, and concern for others. This is a situation where by leaders engage in behaviour that benefits others and refrains from behaviour that can cause harm to others (Toor and Ofori, 2009). This is because corporate leaders often see their work as separate from their lives.

Ethics must indeed begin at the top. Leaders cannot shrink from their obligations to set a moral example for their followers; formal ethical codes and ethic training have little chance of success unless the ethical actions and behaviour of top management are consistent with what they teach. Leaders are the key to determine the outcome of organizational goals and to set the tone for employee commitment which may include promotion, appraisal and strategies (Brown and Mitchell, 2010). Negative examples of immoral behaviour by corporate executives are like a "cancer" on ethical behaviour within organizations (Fisher and Lovell, 2003). If leaders are perceived to be ruthless and inconsiderate in their business dealings with others, employees are likely to get the message too (Crane and Matten, 2014). Employees want to be associated with managers that are honest, credible, respectful, and fair (Kouzes and Posner, 2007 cited in Collins, 2010). Organizations can achieve better employee attraction and retention when employees have the opportunity to work for truly responsible and ethical employers (Upadhyay and Singh, 2010; Collins, 2011). Failing to be a good leader can lead to decrease employee turnover and decrease the likelihood of attracting new employees. This can also increase the costs associated with employee turnover, increase employee supervision, decreases job satisfaction and decrease the level of employee productivity.

Employee commitment is not only the performance of the single parts or units of the organization but the product of all interactions taking place in the organization. Employee commitment is an index to show whether the organization is growing or not coupled with the leadership style adopted which may be influenced or affected by employee commitment, employee empowerment, employee job satisfaction and the type of organizations culture in the organization. Commitment is simply defined as loyalty and attachment of an individual or group to the organization. Organizational commitment is defined as a state in which an employee identifies with a particular organization and its goals and wishes to maintain membership in the organization (Crane and Matten, 2014). Commitment had been used by organizations to predict desired employee behaviour in the areas of performance, absenteeism and emotional attachment. Theoretically, organizational commitment has three components (Meyer and Allen, 1991): active, continuance and normative. Active commitment is referred to as an employee's emotional attachment to the organization. Continuance commitment is the perceived economic value of remaining with an organization compared to leaving it. Normative commitment is an obligation to remain with an organization for moral or ethical reasons.

Considering Innoson Technical and Industrial Company Limited Enugu, Nigeria, it is classified under small scale enterprise. The degree of expansion and growth solely depends on ethical leadership that influences employee commitment, employee empowerment, employee job satisfaction and organizational performance in
terms of higher profit margin, larger market share, financial results and higher degree of survival at any condition. Thus, employee commitment depends on ethical leadership by the top management of the organization.

However, one of the leading challenges in management has been implementing effective human development strategies such as job satisfaction, team empowerment, participative ethic leadership, effective organizational culture and strategic planning. The concept and definition of ethical leadership may differ from one person or situation to the other (Melchar and Bosco, 2010).

Innoson Technical and Industrial Company Limited Enugu produces the best plastic products in the country. Products include chairs, jerry can, drums, motor-cycle parts and so on. Innoson Technical and Industrial Company Limited is a subsidiary of Innoson Group of Companies and was incorporated in 2002 with its Head Office/Factory situated at Plot W/L Industrial Layout, Emene, Enugu State, Nigeria. Full scale operations and production commenced in October 2002. It is an indigenous blue chip company engaged in the manufacturing of Plastic Chairs, Tables, Trays, Plates, Spoons, Cups, Jerry Cans of different sizes and many other allied products.

Since inception, this company ranks the biggest plastic industry in Nigeria. It produces the highest quality range of the plastic products of international standard and has a production over 10,000 pieces of chairs and tables per day. Due to the rapid demand of these products, the company’s twelve production lines of injection moulds have since been increased with tremendous and near perfect production lines of international standard.

It was also established to further consolidate our leading position in the Motorcycle industry by producing the motorcycle plastic requirement of Innoson Technical and Industrial Company Limited Nigeria, which is a sister company. This effort was in direct response to the Federal Government policy direction towards encouraging private sector as the engine of growth for the economy. Over six hundred indigenous employees and few expatriate staff are working in the company.

In the last few decades, the government of Nigeria has intensified effort to make the corporation sector viable for investment and for overall upliftment of the economy because organizations from different industries are playing a significant role in the economic development of Nigeria.

Based on the forgoing analysis on the relationship between ethical leadership and employee commitment in Innoson Technical and Industrial Company Limited Enugu, this study is considered pertinent. This study, therefore, has the focus of investigating the impact of ethical leadership on employee commitment of Innoson Technical and Industrial Company Limited Enugu.

Review of Related Literature

Concept of Ethical leadership

Leadership is defined as a process whereby an individual influences a group of individuals to achieve a common goal (Northouse, 2007). Theoretically, there are three basic ways to explain how people become leaders: the trait leadership theory, the great
event theory and the process leadership theory (Bass, 1990). Trait theory is a situation where some personality traits may lead people naturally into leadership roles. A crisis or important event may cause a person to rise to the occasion, which brings out extraordinary leadership qualities in an ordinary person; this is the Great Events Theory. The process theory is a situation when leadership skills are learnt. According to Burns (1978), the leadership process occurs in one of two ways, either transformational or transactional. Transformational leadership is concerned with developing a vision that informs and expresses the organization's mission and lays the foundation for the organization's strategies, policies and procedures. The transformation leader uses strategies and techniques to empower the followers, enhance their self-efficacy and change their values, norms, and attitudes, which are consistent with the leader's vision. Transformational leadership style seeks to improve the condition of the followers in order to effectively and efficiently achieve the goals of the organization. The transformational leader uses four forms of behaviour; inspirational motivation, individualized consideration, idealized influence and intellectual stimulation. Bass and Steidlmeier (1999) argue that leaders may be authentic transformational and pseudo transformational. Pseudo transformational leaders are self-centered, unreliable, power-hungry, and manipulative. Authentic transformational leaders have a moral character, a strong concern for self and others, and ethical values, which are deeply embedded in the vision. However, a transactional leader is concerned with the allocation of resources, monitoring, and directing followers to achieve a given task. The transactional leader influences followers through the use of rewards, sanctions, and formal authority or position to induce followers’ compliance behaviour. The transactional leader presumes that the employee will not do anything except for a transaction in which the payment for service is large enough to motivate the employee to perform. In transactional leadership style, the employee does nothing out of a sense of loyalty and selflessness toward the organization but only acts as a means of gaining payment.

**Employees’ Commitment**

Commitment is simply defined as loyalty and attachment of an individual or group to the organization. Organizational commitment is defined as a state in which an employee identifies with a particular organization and its goals and wishes to maintain membership in the organization. Commitment had been used by organizations to predict desired employee behaviour in the areas of performance, absenteeism and emotional attachment. Theoretically, organizational commitment has three components (Meyer and Allen, 1991): affective, continuance and normative. Affective commitment is referred to as an employee's emotional attachment to the organization. Continuance commitment is the perceived economic value of remaining with an organization compared to leaving it. Normative commitment is an obligation to remain with an organization for moral or ethical reasons. However, studies have shown relationship between ethical leadership behaviour and employee's organizational commitment. Some of these studies revealed that high levels of perceived ethical leadership
behaviour are associated with higher levels of employee's organizational commitment (Ponnu and Tennakoon, 2009; Upadhyay and Singh, 2010). In a related fashion, there was a positive relationship on the impact of leader's ethical behaviour on the employee's level of commitment to the organization (Mize, 2000 cited in Zhu, May and Avolio, 2004). Employee commitment is also linked to improved quality of products, enhanced customer loyalty, and lower costs due to a decrease in employee turnover. Ferrell & Ferrell (1999) found a positive relationship between corporate citizenship (defined as economic, legal, ethical, and discretionary activities) and employee commitment to the firm. When employee commitment to the organization decreases, product quality drops, customers leave, and employee turnover skyrockets as ethical compliance decreases. It is expected that leaders who exhibit ethical behaviour would be more likely to consider the needs and rights of employees and treat them fairly.

**Theoretical Framework**

This study is anchored on Social Learning Theory propounded by Albert Bandura (1977) which posits that learning is a cognitive process that takes place in a social context and can occur purely through observation or direct instruction, even in the absence of motor reproduction or direct reinforcement. Bandura’s Social Learning Theory posits that people learn from one another, via observation, imitation, and modeling. The theory has often been called a bridge between behaviorist and cognitive learning theories because it encompasses attention, memory, and motivation. Social learning theory explains human behaviour in terms of continuous reciprocal interaction between cognitive, behavioral, and environmental influences.

**Empirical Review**

In both developed and developing countries, there has been serious debate among scholars on the effect of ethical leadership on employment commitment. Some observed that ethical leadership has significant and positive effect on employment commitment and others found that there is no significant effect of ethical leadership on employment commitment. Some of the studies are below:

Priya (2016) examine the impact of ethical leadership on employee commitment in a company using co-integration and correlation analysis. It was found that both ethical leadership and employee commitment are inseparable, as leaders influence employee towards commitment and enhance the performance.

Khuong and Dung (2015) investigated the effect of ethical leadership and organizational justice on employee engagement. The primary data was collected from 312 technicians. Several statistical techniques including exploration factors analysis, multiple regressions and path analysis were used to test hypotheses of the study. The empirical results showed that ethical leadership and ethic-based contingent reward had direct effect on employee engagement. In addition, these factors and organizational justice indirectly affected employee engagement through employee trust. Consequences, the fair, ethic and reward are important roles for organization. These factors can enhance the level of trust and keep the employees engaging in their jobs.
Khuong and Nhu (2015) investigated the effects of ethical leadership and organizational culture on employees’ sociability as well as organizational commitment in tourism sector. Quantitative approach was the major method used with questionnaire distributed to 300 official employees in tourist companies such as travel agencies, tour operations, tourist destinations, hotels, and restaurants. The results indicated that employee sociability, involvement and mission culture had positive relationships with employees’ organizational commitment. Additionally, the research suggested that in order to improve organization commitment, companies should: a) hire employees with sociable traits, b) apply involvement and mission culture for internal operation. Besides that, employee sociability positively affected ethical leadership and adaptive culture. Therefore, ethical leadership and adaptive culture indirectly affected organization commitment through the sociability of employees.

Peter (2015) investigated the effects of ethical leadership on employee performance in the public sector in Uganda. A target population of 160 employees was surveyed. A structured questionnaire was self-administered to the employees to collect the data. Regression analysis and Pearson correlation coefficient were used to explain the nature of the relationship between ethical leadership and employee performance and the effects thereof. Results of the study reveal that employee performance is greatly influenced by ethical leadership. These have both policy and managerial implication which is discussed here. This study is limited by being cross-sectional in nature and considered only one sector in one country and therefore cannot be generalized to other sectors and countries. Practical implication is that ethical leadership in public sector needs to be promoted at a top level and leaders have to behave ethically. This is the first study of this nature conducted in Uganda focusing on the effects of ethical leadership on employee performance.

Laurie (2014) investigated the relationship between ethical leadership, job satisfaction, organizational commitment and organizational citizenship behaviour. The study made use of correlation coefficient analysis. The study revealed that no significant difference was reported among employees regarding the impact of ethical leadership on their level of organizational citizenship behaviour.

Peggy (2013) did a study of ethical leadership and organizational commitment in the Canadian Armed Forces. The current study investigated these relationships using a sample consisting of Canadian Armed Forces Army personnel (N = 468). Perceived supervisor/ethical leadership was found to be directly and positively correlated with employee affective and normative commitment, and not correlated with employee continuance commitment. As well, no difference was found in the perceptions of supervisor ethical leadership for female military personnel as compared to male military personnel. The hypotheses that employee education level would be positively related to perceptions of ethical leadership and that employee age and rank would moderate the relationship between perceived supervisor ethical leadership and employee affective commitment were not supported.

Meral, Irge, Seval and Alpkan (2012) examine the impact of ethical leadership and leadership effectiveness on employees' turnover intention using a sample of 1093
employees in 70 firms operating in nine different industries and correlation matrix. It was found out that while ethical leadership and leadership effectiveness negatively affect turnover intention of employees, work related stress has a positive effect on employees' turnover intention.

Methodology
This study adopted a descriptive survey design which used a correlation design. Correlation measures how variables or rank order are related. Specifically, Pearson product moment correlation coefficient which is a measure of lines association is applied since the study concerns variables that have linear relationship and perfectly related. Correlational research design adopted for this investigation is appropriate because it reduced error, bias and maximized the reliability of data gathered. The study used the Regression Analysis beta coefficient. The following simple regression equations were used to examine the impact of ethical leadership on employee commitment:

Regression Equation (y) =a+bx shape (b)

\[ CC_t = \beta_0 + \beta_1 \text{Integrity}_t + \mu_t - 1 \]
\[ AC_t = \beta_0 + \beta_1 \text{ETreatment}_t + \mu_t - 3 \]

Where:
- \( CC \) = Continuance Commitment;
- \( AC \) = Active Commitment
- \( ET \) = Equal Treatment
- \( \mu_t \) = Error term
- \( \beta_0 \) = Constant

To derive the correlation coefficient (r) for correlated variables, a survey instrument was used for the investigation whereby the questionnaire was structured and administered on the respondents from the Innoson Technical and Industrial Limited under study. A 5-point Likert scale was used in designing the questionnaire.

Results
Correlation Analysis
Table 1: Correlation between Factors of Ethical Leadership and Employee Commitment of Innoson Technical and Industrial Limited Enugu.

<table>
<thead>
<tr>
<th>Variables</th>
<th>Pearson Correlation (r)</th>
<th>Significance (2-tailed)</th>
</tr>
</thead>
<tbody>
<tr>
<td>CC</td>
<td>0.252</td>
<td>0.000</td>
</tr>
<tr>
<td>NC</td>
<td>0.121</td>
<td>0.002</td>
</tr>
<tr>
<td>AC</td>
<td>0.019</td>
<td>0.003</td>
</tr>
<tr>
<td>IT</td>
<td>0.430</td>
<td>0.003</td>
</tr>
<tr>
<td>ET</td>
<td>0.412</td>
<td>0.000</td>
</tr>
</tbody>
</table>

R is Pearson correlation coefficient
Correlation is significant at the 0.05 level.

Analysis of the correlation matrix indicates that independent variables have a significant positive relationship between ethical leadership and employee commitment
of Innoson Technical and Industrial Limited (r=0.430, 0.318 and 0.412). The positive result implies that the effect of ethical leadership on the employee commitment is high in Innoson Technical and Industrial Limited. The results also indicate that there is a strong, positive correlation between the three variables: Integrity (IT) and Continuance Commitment (CC) are found to be positive at 0.430. The result also shows that Equal Treatment and Active Commitment in Innoson Technical and Industrial Limited are found to have a significant positive relationship (r=0.412).

**Regression Result**

The regression result of implication of integrity on continuance commitment of the employee of Innoson Technical and Industrial Limited, Enugu Nigeria.

**Table 2: Summary of Data Derived from SPSS 20.**

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>T</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>1</td>
<td>(Constant)</td>
<td>5.312</td>
<td>1.396</td>
<td>3.805</td>
</tr>
<tr>
<td></td>
<td>Integrity</td>
<td>-2.243</td>
<td>.288</td>
<td>-3.121</td>
</tr>
</tbody>
</table>

R Square = 0.891, Adjusted R Square = 0.883, DW = 1.909

Source: SPSS 20 Computer Results.

The regression result above shows that there is an existence of a linear and proportionate impact of integrity on continuance commitment of the employees of Innoson Technical and Industrial Company Limited, Enugu Nigeria. We found that integrity significantly and negatively impact on continuance commitment of the employees of Innoson Technical and Industrial Company Limited, Enugu Nigeria. This means that integrity as one of the indicators of ethical leadership reduces the level of continuance commitment of the employees of Innoson Technical and Industrial Company Limited in Enugu State.

Regression Result of the implication of equal treatment on active commitment of the employee of Innoson Technical and Industrial Company Limited, Enugu Nigeria.
Table 3: Summary of Data Derived from SPSS 20.

<table>
<thead>
<tr>
<th>Model</th>
<th>Unstandardized Coefficients</th>
<th>Standardized Coefficients</th>
<th>t</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>B</td>
<td>Std. Error</td>
<td>Beta</td>
<td></td>
</tr>
<tr>
<td>(Constant)</td>
<td>3.874</td>
<td>1.304</td>
<td>2.972</td>
<td>.005</td>
</tr>
<tr>
<td>Equal Treatment</td>
<td>2.058</td>
<td>2.282</td>
<td>2.030</td>
<td>.206</td>
</tr>
</tbody>
</table>

R-Square = 0.88101, Adjusted R-Square = 0.87210, DW = 1.8291

From the result in table 3 above, we observed that equal treatment does not impact on active commitment of the employees of Innoson Technical and Industrial Company Limited, Enugu Nigeria and accept the alternate hypothesis. Therefore, equal treatment positively and significantly leads to increase in the active commitment of the employees of Innoson Technical and Industrial Company Limited, Enugu Nigeria. This means that introduction of equal treatment affect active commitment of the employees of Innoson Technical and Industrial Company Limited, Enugu Nigeria. The implication of this is that if there is continuous increase in equal treatment among staff of Innoson Technical and Industrial Company Limited, it will contribute positively to the active commitment of the staff.

Conclusion
Leadership is a vital resource for creating and sustaining organization, communities and societies. It involves establishing a clear vision, sharing the vision with subordinates so that they can contribute their own quota in achieving organizational goals and objectives. Ethical issue is a worldwide phenomenon. It is an important issue to corporate organization; and corporate leaders must take proactive measures. Ethical leaders are perceived as having a broad ethical awareness and concern for all stakeholders which include employees. Therefore, leaders must create an ethically friendly work environment for all employees, communicate ethical issues, serve as role models and put mechanism in place for the development of responsible employees. It is expected that leaders who exhibit ethical behaviour would be more likely to consider the needs and right of employees and treat them fairly. Indeed, every employees want to work for a truly and responsible employer and as such, corporate leaders have to fulfill their obligations on ethical issues and rise up to these expectations. We conclude that appropriate ethical leadership contributes to performance of the employees, strive to larger market share and that ethical leadership has increased the level of
employee commitment among staff of Innoson Technical and Industrial Company Limited, Enugu.

**Recommendations**

Based on the findings of the study, the following recommendations are made.

1. Organizations should adopt ethical leadership that matches every situation and employers are to get the best out of employees integrity. This is because, integrity was found to negatively impact on continuance commitment.

2. The level of corruption should be monitored because of its positive impact on normative commitment in Innoson Technical and Industrial Company Limited Enugu.

3. Organizations should endeavour to adopt equal treatment as ethical leadership indicator as it helps to improve the quality and increase employees’ sense of commitment. It will benefit not only the leaders and employees but also the organization as a whole in the achievement of organizational growth and success globally.

4. Leaders should be trained as change agents and act as role models, to create a positive influence on their employees to further enhance their commitment to performance.

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