

# The Effect of Ethical Leadership on Employee's Virtuous Behavior – A Study of Marketing Agencies in Ho Chi Minh City, Vietnam

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**Abstract**—This study examined the effect of ethics-based leadership on employee virtuous-ethical behavior with an aim to improve the ethical behaviors among employees in the marketing agencies in Ho Chi Minh City. Qualitative method was applied and questionnaire survey was directly delivered to 283 respondents. This study argued that in order to increase employee virtuous-ethical behavior, marketing agencies should do the followings a) conduct the ethical course in their educational program, b) emphasize the people have ethically behavior and make them good examples the ethical behavior roles model, c) add the ethical codes and check if the leaders follow these codes. Besides, the empirical results showed that the employee virtuous-ethical behavior was directly affected by factors of ethical leadership, inspirational motivation, contingent reward ethical leadership, ethical promotion focus, and ethical prevention focus. In addition, the factors of ethical leadership and contingent reward ethical leadership indirectly affected employee virtuous-ethical behavior.

**Index Terms**—Ethics-based leadership, virtuous-ethical behavior, ethical regulatory focus.

## I. INTRODUCTION

Employee unethical behavior has been a common phenomenon and is harmful to organizations. In an American research in 2013, work misconduct was on the trend of decreasing. It is 41% in 2013 compare with 45% in 2011 and 55% in 2007. However, 60% of corporation misconduct was committed by manager, and they indicated that misconduct still continue to exist [1]. A big case of Vietnam was the case of Vietinbank, in which its staff, Miss Huynh Thi Huyen Nhu appropriated over VND 4 trillion of other institutions and individuals [2]. This unethical behavior had severely damaged the bank.

In addition, it is an advantage for any organization to understand its employee ethical and unethical behavior. The concept of unethical behavior was defined as a behavior that has harmful effects on others and was “either illegal or morally unacceptable to the larger community” [3]. In opposite, ethical behavior is that is either “both legal and morally acceptable to the larger community” or the behaviors that are not consider as unethical behavior [4].

Moreover, to increase the employee ethical behavior, the ethics-based leadership was also considered as an effective factor [4]. The past studies also proposed the relationship

between ethics-based leadership and employee behavior. The ethical leadership had positive effect on follower's behavior by creating an attractive and credible model. That model was considered as normatively appropriate behavior [5]. In other word, the ethics-based leadership was not only ethical leadership but also included ethical charismatic leadership and ethical contingent reward leadership. These kinds of ethics-based leadership had effect on employee virtuous-ethical behavior [4]. In addition, the employee who had higher self-esteem received more effect of ethical leadership on their organizational citizenship behavior [6].

Therefore, the purpose of this study was to propose which factors of ethics-based leadership affected employee virtuous-ethical behavior.

## II. LITERATURE REVIEW

### A. Ethical Leadership

According to [7], the concept of ethical leadership was defined as “the demonstration of normatively appropriate conduct through personal actions and interpersonal relationship, and the promotion of such of conduct to follower through two-ways communication, reinforcement, and decision-making”. In this concept two dimensions of ethical leadership were built. First ethical leadership was a moral person with ethical charismatic such as honest, trustworthiness, altruism. Secondly, ethical leadership was a moral manager who used their ethical behavior such as fairness, caring, communicating, rewarding, punishing, ethical standards emphasizing, and role modeling ethical behavior to shape follower's behavior and attitude [8], [9]. In line with [7], [10] supposed that morality, fairness, role clarification, and power sharing were components of ethical leadership. Therefore, concept of ethical leadership of [7] was used as the basic for our approach.

To expand the understanding of ethical leadership, [5] presented the differences of ethical, spiritual, authentic, and transformational theories of leadership. Firstly, the similarities of these kinds of leadership were the concern to other (altruism), integrity, and role modeling. Secondly, the differences were clarified in each pair. The first pair was ethical leadership and authentic leadership. Ethical leadership emphasized moral management and “other” awareness, but authentic leadership emphasized authenticity and self-awareness. The second pair was ethical leadership and spiritual leadership. While ethical leadership emphasized the moral management, the spiritual leadership emphasized visioning, hope/faith; work as vocation. The last

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pair was transformational leadership and ethical leadership. The differences were while ethical leadership emphasized ethical standard, and moral management, transformational leadership focused on vision, value, and intellectual stimulation. Therefore, we saw the overlap part between each type of leadership, and also the differences. That evidences helped us to distinguish the ethical leadership with other leadership constructs.

Moreover, the ethical leadership played an important role on follower's virtuous behavior. According to [4] the ethical leadership had positive effect on employee virtuous-ethical behavior. In case of [4], the ethical regulatory focus factors were used as mediator factor for the relationship of ethical leadership and employee virtuous-ethical behavior. In other dimension, [9] also proposed that ethical leadership had direct effect on virtuous-ethical behavior and indirect effect on virtuous-ethical behavior through ethical climate factor. To supporting to this relationship, [7] also proposed ethical leadership had positive effect on employee ethical behavior, such as encouraging employee to do extra job and to report problems to manager.

In addition, based on past studies, the measurement of ethical leadership was built. According to [11], ethical leadership affected on follower's ethic-related behavior through three mechanisms such as role modeling ethical behavior, communicating ethical rules and regulations, and using contingent reinforcement mechanisms. Based on that finding, [7] developed ten-item measurement of the ethical leadership, which was used in study to measure the ethical leadership.

### *B. Ethical Charismatic Leadership*

For some reasons, it took time to form the concept of charismatic ethical leadership. Firstly, ethical standards are different. As a result, the ethical charismatic leadership of every standard also varies [12]. Secondly, the difference in between definition of charismatic leadership and transformational leadership were blurred by some shared features. Because of this, many authors has built up the charismatic leadership paradigm. However, the difference between the two types of leadership was hard to distinguish. The concept was then deal based on the mentioned charismatic ethical leadership and transformational leadership paradigm [4]. According to [13], the concept of charismatic ethical leadership was defined as an "inspirational leaders who convey ethical values, are other-centered rather than self-centered, and who role model ethical conduct". This concept was used as the basic for this study.

In addition, the past studies proposed the important implication of ethical charismatic leadership for follower ethical behaviors. According to [12], charismatic ethical leaders behaved in a fair and caring action. Their follower saw that as a trustworthy model and legitimate source of information to behave. In other words, the charismatic leadership transferred their value to follower by changing the follower's perception [14]. The ethical charismatic leadership served as a mechanism for the transferring of the ethical perception of leader to the follower. Besides, the ethical charismatic had positive direct effect on employee

virtuous-ethical behavior and positive indirect effect on employee ethical behavior through ethical regulatory focus factor [4].

Moreover, based on the Multifactor Leadership Questionnaire by [4], [15] adapted this ethical charismatic leadership questionnaire (with three main items) by supplementing theme of ethic. Firstly, that was ethical idealize influence behavior, which refer to "the perception that the leader is charismatic, confident, ethical, idealistic, and trust worthy" [16]. Secondly, that was ethical idealize influence attributed, which refer to "leadership behavior the results in followers identifying with and wanting to emulate the leader" [16]. Finally, that was ethical inspirational motivation, which refers to "leadership that communicates high expectations, inspires commitment to a shared vision, and motivates followers by portraying optimism" [16]. For example, a sample item of this measurement was "My boss talks enthusiastically about what needs to be accomplished in order to conduct business in an ethical manner." This measurement scale was adopted to use in this study to measure ethical charismatic leadership factor.

### *C. Contingent Reward Ethical Leadership*

Contingent reward ethical leadership was a new concept, which developed by [4]. According to [17] the concept of contingent reward leadership, which was a component of transactional leadership, was defined as "an exchange of rewards between leaders and followers in which effort is rewarded by providing rewards for good performance or threats and disciplines for poor performance". Based on the concept of [17], the ethical theme was added by [4] to shift to ethical contingent reward leadership. The new concept was understood as the exchanging reward from the leader to follower based on the ethical or unethical performance of follower [4].

According to [4], the relationship between contingent reward ethical leadership and other factors such as ethical regulatory focus and ethical behavior was expected. The author suggested that, ethical contingent reward leadership, which interacted with ethical leadership and charismatic ethical leadership, had positive effect on ethical prevention focus. In addition, [18] proposed that, transactional leadership, which included contingent reward leadership, had effect on follower's prevention focus and follower's behavior. In other words, employee, who considered their leader having high contingent reward leadership, had their ethical promotion focus stronger affected by ethical leadership and ethical charismatic leadership [4]. Moreover, the promotion focus was proposed to have engagement in virtuous-ethical behavior [4]. Based on evident above, the contingent reward ethical was suggested to have effect on virtuous ethical behavior through employee regulatory focus factor.

Furthermore, [4] adapted a contingent reward ethical leadership measurement scale, which based on the contingent reward leadership measurement of [19] by added the ethic theme to form the contingent reward ethical leadership measurement. For example, a sample item of this measurement was "my boss provides others with assistance in exchange for meeting standards of ethical conduct". In

addition, a new added item was “my boss expresses dissatisfaction when others fail to meet standards of ethical conduct”. The new measurement of [4] was used in this study.

#### *D. Ethical Regulatory Focus*

Ethical regulatory focus was proposed by two components, which were ethical promotion focus and ethical prevention focus. These two concepts were defined by [4] to have better performance relationship between ethics-based leadership and employee virtuous-ethical behavior than original self-regulatory focus concept of [20]. Furthermore, ethical promotion focus was defined as “a psychological state that focuses on achieving moral ideals directed toward actions that are morally good although not required by social roles” [4]. In addition, ethical prevention focus was defined as a psychological state that focuses on ethical thoughts (including laws, rules and regulations) [4].

Besides, the effect of leadership behavior on ethical regulatory focus was proposed in last studies. According to [18], the charismatic leadership had more effect on follower promotion focus than follower prevention focus. In contrast, contingent reward leadership had more effect on follower prevention focus than charismatic leadership. Those results were expanded into ethical theme, to suggest the relationship between ethics-based leadership and ethical regulatory focus. To support the idea, [4] proposed that, ethical promotion served as a mediator factor in the relationship of ethics-based leadership and employee virtuous-ethical behavior. Another author also proposed that, employee ethical-behavior was influenced by different regulatory focus. Similarly, ethical promotion focus led to higher result in ethical behavior when the level of dishonest was high [21].

In addition, the past authors proposed the effect of ethical regulatory focus on virtuous-ethical behavior. According to [4], ethical promotion focus motivated employee to do virtuous-ethical behavior for “achieving their idea of moral self and satisfying their need for moral growth”. In other words, ethical prevention focus motivated employee not to behave unethically [4]. The evidence suggested the positive effect of ethical prevention focus on virtuous-ethical behavior.

Moreover, the measurement scale of ethical regulatory focus, which was built by [4] was used in this study. For example, a sample item of this measurement was “In my current job, I think that I should help others even when it is not mandatory”. The author also proposed the internal consistency reliability of each scale, which were the ethical promotion focus scale ( $\alpha = .90$ ) and the ethical prevention focus scale ( $\alpha = .86$ ). In addition, the 5-point likert scale was used in this measurement instead of 7-point likert scales. Since, the 7-point scale should only be used when the variable have a single item or the case which needs more discrimination. In addition, the internal consistency of both two types of measurement is unchanged. [22].

#### *E. Virtuous-Ethical Behavior*

Through time, other authors proposed their idea on the definition of the virtuous-ethical behavior concept. The past author used the unethical behavior measurement as a tool to

define the ethical behavior. They claimed that, a lower score in unethical behavior meant higher score in ethical behavior. In other words, this method did not distinguish the difference between ethical behavior and unethical behavior [23]. In the other hand, [11] suggested to theorize and test the two terms: ethical behavior and unethical behavior separately. Moreover, according to [4], the concept of virtuous-ethical behavior was defined “as behaviors beneficial to others that reflect moral ideals and involve personal costs or risks. Virtuous-ethical behaviors are praiseworthy if performed and not blameworthy if not performed”. Similarly, [24] also suggested the concept of virtue ethic similar with the concept of [4]. Therefore, the concept of virtuous-ethical behavior of [4] was used as the basis for our approach.

The altruism measurement of [25] was adapted to measure the virtuous-ethical behavior. In addition, the scale was suitable for the definition of the concept of virtuous-ethical behavior since it can explain the behavior go “beyond the one call of duty and orientation to benefit another party” [4]. However, while the original measurement was dedicated to supervisor rating, our study based on self-rating of employee. The need to adapt led us to a suitable measurement. For example, we changed the supervisor rating from “the frequency I saw my employee volunteered to help others in the organization if they fell behind in their work” to the employee self-rating “the frequency that I volunteered to help others in the organization if they fell behind in their work”. The adapted measurement was also in 5-point likert scale.

The effect of ethics-based leadership and regulatory focus factor on virtuous-ethical behavior was explained in the previous sections. According to those, the independent variables were listed as ethical leadership, ethical idealized influence attributed, ethical idealized influence behavior, ethical inspirational motivation, contingent reward ethical leadership. In addition, the dependent variables were listed as ethical promotion focus, ethical prevention focus, and virtuous-ethical behavior. The dependent and independent variables mentioned above were hypothesized in this study as below:

- $H_1$ : The factors of ethics-based leadership positively affect employee ethical promotion focus.
- $H_2$ : The factors of ethics-based leadership positively affect employee ethical prevention focus.
- $H_3$ : The factors of ethics-based leadership positively affect employee virtuous ethical behavior.
- $H_4$ : The factors of ethical regulatory focus positively affect employee virtuous ethical behavior.
- $H_5$ : Employee virtuous-ethical behavior is hypothesized to indirectly affect by ethical regulatory focus factors and factors of ethics-based leadership.

### **III. METHODOLOGY**

#### *A. Question Design and Data Collection*

This study mainly focused on virtuous-ethical behavior. In addition, quantitative method was applied and convenient sampling technique was used for this study.

The population of this study was the employees of marketing agencies in Ho Chi Minh City. Based on the

literature review, questionnaire was designed and sent directly to 283 respondents of sample size.

The 5 points Likert scale was used in this study ranging “1 = strongly disagree” to “5 = strongly agree” for part 1 of the questionnaire, which was the self-rating of employee on their virtuous-ethical behavior. For example, “I willingly gave my time to help other members in the organization who had work-related problems.” In part 2 of questionnaire, employees rated to the frequency of his/her immediate manager’s ethical behaviors, also on the 5 point Likert scale from “1 = never seen” to “5 = very often”. For example, “My boss listens to what employees have to say.”

### B. Factor Analysis and Reliability

Based on the principal component extraction method and varimax rotation, the two groups of variables were conducted by two exploratory factor analyses (EFA) to find the relationship among variables: 23 items of the independent variables and 15 items of the dependent variables. In addition, descriptive statistics was used to describe the demographic data and all other variables in the research model. Moreover, multiple regressions were used to determine the effects of the independent variables such as ethics-based leadership on the dependent variables such as employee virtuous-ethical behavior and ethical regulatory focus. The results of the EFAs showed that the Kaiser-Meyer-Olkin measure of sampling adequacy was .874 for the independent variables and .940 for the dependent variables. According to [26] the KMO index suggested minimum value for a proper factor analysis is 0.6 and less than 1, it meant that the data was suitable for further analysis. The Bartlett’s test: the factor analysis was considered appropriate when significant  $\leq 0.05$  [27].

TABLE I: SUMMARY OF DEPENDENT VARIABLES

Given Names	Number of Items	Alpha
Employee virtuous-ethical behavior (EMVIBE)	5	.824
Ethical promotion regulatory focus (EMETPRO)	5	.818
Ethical prevention regulatory focus (EMETPRE)	5	.808

According to Table I, there were three components of dependent variables extracted from the study data. The Eigenvalue of each component was greater than 1 (the smallest value was 1.259). In addition, the extraction sums proposed that squared loadings of dependent variables was 60.018. It meant the three factors accounted for 60.018% of total variance. Moreover, the internal consistency of these factors was illustrating by Cronbach’s coefficients ranged from .808 to 0.824. Similarly, according to Table II, three components of independent variables accounted for 60.62% of total variance and Eigenvalue of each component was greater than 1 (the smallest value was 1.420). Moreover, the internal consistency of these factors was illustrating by Cronbach’s coefficients ranged from .802 to .917.

TABLE II: SUMMARY OF INDEPENDENT VARIABLES

Given Names	Number of Items	Alpha
Ethical Inspiration Motivation (INSPI MOT)	9	.917
Ethical Leadership (ETLEAD)	9	.908
Ethic-Based Contingent Reward Leadership (ETCORELE)	5	.802

## IV. FINDING

### A. Profile of Consumer Involved in the Study

TABLE III: CONSUMER PROFILES (N=283)

	Frequency	Percentage
<b>Gender</b>		
Male	104	36.7
Female	179	63.3
Total	283	100.0
<b>Age</b>		
<18	1	.4
18-25	147	51.9
26-30	108	38.2
31-40	23	8.1
41-50	4	1.4
Total	283	100.0
<b>Type of company</b>		
Private enterprise	270	95.4
State Corporation	6	2.1
FDI company	7	2.5
Total	283	100.0
<b>Number employee of company</b>		
<10	49	17.3
11-30	59	20.8
31-50	113	39.9
51-100	50	17.7
100	12	4.2
Total	283	100.0
<b>Education level</b>		
High school	5	1.8
College	28	9.9
University	233	82.3
Post graduate	17	6.0
Total	283	100.0
<b>Seniority</b>		
<1 year	121	42.8
under 3 years	103	36.4
under 7 years	46	16.3
7- under 10 years	9	3.2
over 10 years	4	1.4
Total	283	100.0
<b>Working experience</b>		
<1 year	74	26.1
under 3 years	106	37.5
under 7 years	71	25.1
7- under 10 years	15	5.3
over 10 years	17	6.0
Total	283	100.0

### B. Correlations between Ethics-based Leadership, Ethical Regulatory Focus and Employee Virtuous-Ethical Behavior

To find out the factor effective on employee virtuous-ethical behavior, correlation coefficients( $r$ ) were used. The Table IV shows the positive correlation of independent variables and dependent variable on EMVIBE: INSPIMOT ( $r=.542, p<.005$ ), ETLEAD ( $r=.560, p<.005$ ), ETCORELE ( $r=.507, p<.005$ ), EMETPRO ( $r=.605, p<.005$ ), EMETPRE ( $r=.553, p<.005$ ). This meant the better INSPIMOT, ETLEAD, ETCORELE, EMETPRO, and EMETPRE could lead to the higher employee virtuous-ethical behavior.

In conclusion, the EMVIBE was moderately correlated with ethics-based leadership and ethical regulatory focus as shown in the correlation coefficients and significant levels in the Table IV.

TABLE IV: CORRELATION BETWEEN EMVIBE, INSPIMOT, ETLEAD, ETCORELE, EMETPRO, EMETPRE

	EMVIBE	1	2	3	4
1. INSPIMOT	.542*				
2. ETLEAD	.560*	.749*			
3. ETCORELE	.507*	.650*	.635*		
4. EMETPRO	.605*	.495*	.502*	.584*	
5. EMETPRE	.553*	.330*	.394*	.312*	.485*
Mean	3.89	3.55	3.91	3.59	3.86
SD.	.692	.715	.648	.653	.658

\*. Correlation is significant at the 0.005 level

### C. Direct Effects on EMVIBE

#### 1) Ethics-based leadership and employee virtuous-ethical behavior

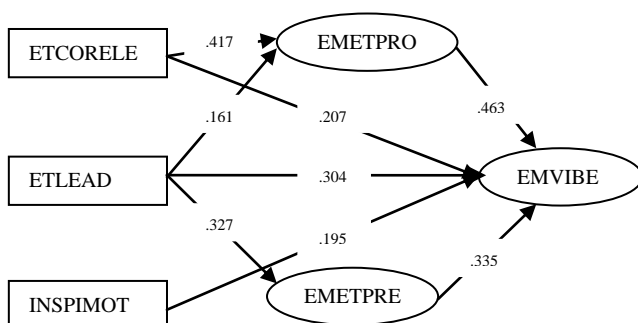
Hypothesis 3 was tested by multiple regression and the result show that EMVIBE was mainly affected by importance factor: ETLEAD ( $\beta=.304$ ,  $p<.005$ ), INSPIMOT ( $\beta=.195$ ,  $p<.005$ ), and ETCORELE ( $\beta=.207$ ,  $p<.005$ ). Thus, this study found out the direct effect of these factors: ethical leadership, inspiration motivation, and ethical contingent reward leadership on employee virtuous-ethical behavior. As a result, the leader, who had high ethical leadership, inspiration motivation, and ethical contingent reward leadership could increase the employee virtuous-ethical behavior.

#### 2) Employee ethical regulatory focus and employee virtuous-ethical behavior

Hypothesis 4 was tested by multiple regression and the result show that EMVIBE was mainly affected by importance factors: EMTPRO ( $\beta=.463$ ,  $p<.005$ ), and EMTPRE ( $\beta=.335$ ,  $p<.005$ ). In sum, this study found out the directly effect of these factors: ethical promotion focus, and ethical prevention focus on employee virtuous-ethical behavior. In addition, the employee who had more ethical regulatory focus had better virtuous-ethical behavior performance.

### D. Path Diagram of Employee Virtuous-Ethical Behavior

The total effect of each variable on EMVIBE was divided into direct effects and indirect effects. The direct effects were described by unstandardized regression coefficient ( $\beta$ ) and contributed to the path model as path coefficient. The indirect effects of each variable were the effects of those variables on employee virtuous-ethical behavior through the mediate factors. Figure 1 describes the unstandardized coefficient of EMVIBE model.



Note: All coefficients were significant at the .05 level.

Fig. Unstandardized Coefficient of EMVIBE Model.

### E. Indirect Effects on EMVIBE

Hypothesis 1 was tested by multiple regression and the

result showed that EMETPRO was mainly affected by importance factors: ETCORELE ( $\beta=.417$ ,  $p<.005$ ) and ETLEAD ( $\beta=.161$ ,  $p<.005$ ). These two factors affected EMETPRO, and then EMETPRO positively affected EMVIBE with ( $\beta=.335$ ,  $p<.005$ ). In sum, through mediate variable of employee ethical prevention focus, the factor of ethical leadership created indirect effect on employee virtuous-ethical behavior.

Similarity, hypothesis 2 was tested by multiple regression and the result show that EMETPRE was mainly affected by importance factor: ETLEAD ( $\beta=.327$ ,  $p<.005$ ). This factor affected EMETPRE, and then EMETPRE positively affected EMVIBE with ( $\beta=.463$ ,  $p<.005$ ). In sum, through mediate variable of employee ethical promotion focus, the factors of ethical leadership create indirect effect on employee virtuous-ethical behavior.

The indirect effect of the independent variables on the dependent variables through the intervening variables was the total product of the effects of that independent variable on the intervening variables and the effect of the intervening variable on the dependent variable of virtuous-ethical behavior [28]. Based on the result of hypothesis above, the indirect effects of ETLEAD and ETCORELE on EMVIBE were calculated. The result was showed in Table V, those were the effect of ETLEAD through EMTPRO ( $\beta=.075$ ) and the effect of ETLEAD through EMTPRE ( $\beta=.110$ ). Then the effect of ETCORELE through EMTPRO is ( $\beta=.193$ ).

### F. Significance of the Indirect Effects

Table V showed the results of the bootstrapping method recommended by [28] to test the significance of indirect effects or mediations. The output provided the bootstrapped confidence intervals (at the 95%). If there is a ZERO (0) lies within the interval range between the lower boundary (LL) and the upper boundary (UL), then we can conclude that, with 95% confidence, there is no mediation or indirect effect. On the other hand, if zero does not occur between the LL and the UL, then we can conclude that, with 95% confidence, the mediation or indirect effect is significant [16]. As can be seen in the output of Table V, the indirect effects of ETCORELE and ETLEAD on EMVIBE through the mediation of EMETPRO and EMETPRE were estimated to lie between 0.1964 (LL) and 0.4047 (UL); 0.1079 0.2573 (UL); and 0.0690 (LL) and 0.1881 (UL) with 95% confidence, respectively. Because zero is not in the 95% confidence interval, we can conclude that the indirect effects of ETCORELE and ETLEAD on EMVIBE were indeed significantly different from zero at  $p <.05$  (two tailed) and the mediation of EMETPRO and EMETPRE in this study were true.

TABLE V: DIRECT, INDIRECT, AND TOTAL EFFECT

Variables	Casual effect			LL	UL
	Direct	Indirect	Total		
ETCORELE	.207	.193	.400	.1964	.4047
ETLEAD-> EMETPRO	.304	.075	.489	.1079	.2573
ETLEAD-> EMETPRE		.110		.0690	.1881
INSPIMOT	.195	---	.195	---	---
EMETPRO	.463	---	.463	---	---
EMETPRE	.335	---	.335	---	---
Total	1.504	.378	1.882		

### G. Total Casual Effects of the Employee Virtuous-Ethical Behavior

Table V was the summary of the direct, indirect, total effect of the independent variables and the dependent variables on EMVIBE (hypothesis 5). Regarding the total effects, the factor of ETLEAD had strongest impact on EMVIBE ( $\beta=.489$ ), followed by the factor of EMTPRO ( $\beta=.463$ ), then the factor of ETCORELE ( $\beta=.400$ ), the factor of EMTPRE ( $\beta=.335$ ), and lastly of INSPIMOT ( $\beta=.195$ ). The total effect of these factors on employee virtuous-ethical behavior was 1.882 in which direct effect of ETCORELE, ETLEAD, INSPIMOT, EMTPRO, and EMTPRE accounted for 80% while indirect effect accounted for 20%.

## V. DISCUSSIONS AND IMPLICATION

### A. Theoretical Implication

The result above was compared with the past studies to clarify the contribution of this study to the virtuous-ethical behavior theory. The main question of this study was that “among the factors idealized influence behavior, inspirational motivation, idealized influence attributed, ethical leadership, ethics-based contingent reward leadership (independent factors) and ethical promotion regulatory focus, ethical prevention regulatory focus (dependent factors), which factors affected virtuous behavior of the employee?”. Based on the finding of path analysis performed on figure 1, the effective factors were inspirational motivation, ethical leadership, ethical contingent reward leadership (independent factors) and ethical promotion regulatory focus, ethical prevention regulatory focus (dependent factors). This result was similar to the theoretical factors. The findings were supported by other authors; the influence of leader on their follower through regulatory focus factors was conducted, the ethics-based leadership had positive effect on employee ethical-behavior through ethical regulatory focus [4], [18], [29].

In other words, the past studies proved that the ethical contingent reward as the transactional leadership had no relation to perform ethical promotion focus but was related to ethical prevention focus [4], [18]. The finding of this study gave a new point of view that the ethical contingent reward had positive effect on ethical promotion focus but not on ethical prevention focus. That led to a suggestion that the leader who had high ethical contingent reward leadership not only increased the employee's ability to focus more on following the rules, laws, etc., but also increased their intention to perform the ethical idea and ethical behavior which were not forced by regulations.

Besides, an interesting finding was the correlation of ethical contingent reward leadership and ethical leadership to perform ethical promotion focus. Comparing with [4], the author claimed that the correlation of ethical leadership and ethical charismatic leadership affected ethical promotion focus factor. The population in marketing agency industry was not only gave the differences in employee perception of leadership styles, but also supported for the ethical leadership as the most effective factor on regulatory focus factor. In addition, that result showed that the ethical charismatic

leadership was transferred to ethical contingent reward leadership as a normal trend. That was the employee focused on getting more reward by behaving in ethical way, instead of the employee behaving ethically by considering leader ethical charismatic inspiration.

Then, it was the relationship of ethical regulatory focus had positive effect on follower's virtuous-ethical behavior, which was proved again in this study. According to [4], [18], [29] the employee ethical promotion focus had positive effect on employee virtuous-ethical behavior. It meant that people who had high idea to act in ethical ways also became employee with high virtuous-ethical behavior. However, this study suggested that the ethical prevention also had the positive effect on ethical behavior by ( $\beta=.335$ ). This relationship was not much focus on the last studies. In addition, this relationship made a new approach to the virtuous-ethical behavior of the employee. The fact that the employee, who had mindset in trying to obey and follow the laws, rules in order to keep the ethical oughts was not only had negative effect on unethical behavior [4] but also contributed to employee virtuous-ethical behavior. This impact was needed investigating in the further research.

Finally, this study contributed to the theory of ethics-based leadership, ethical regulatory focus and virtuous-ethical behavior by providing reliable scales to measure theoretical dimensions such as employee virtuous-ethical behavior, ethical leadership, charismatic ethical leadership, ethics-based contingent reward leadership, ethical regulatory focus factors. In addition, the CFAs result contributing to the items loaded in each scale was significant, clear and focus [4].

### B. Practical Implication

The virtuous-ethical behavior contributed the positive effect on the organization by creating the favorable environment, increasing the effective communication, increasing the productivity of both individual and organization [25]. Therefore, the understanding of factors effective on virtuous-ethical behavior would be at the advantage of any organization. The practical implication was presented from the finding of this study.

First of all, since the ethics-based leadership was proposed to have positive effect on employee virtuous-ethical behavior (which was similar to the result of [4], the ethics-based leadership should be considered by the manager of marketing agency in order to improve the employee virtuous-ethical behavior. Therefore, the marketing agency should conduct the ethical course as a part of their training program to increase the ethical behavior of both leader and employee. In addition, the training topic should include the ethical communication, ethics-based rewarding. Besides, the training topic should emphasize on the people who behaves ethically and made them ethical behavior roles model [9], [30]. Thus, through training program that focuses on ethic, the ethics-based leadership could become familiar to organization's member and encourage the development of moral leaders [30].

Then, the finding that the ethical regulatory focus had high positive effect coefficient on employee virtuous-ethical behavior, which made ethical regulatory focus as an

important factor to increase the employee virtuous-ethical behavior. Moreover, the method which increases the effect of ethics-based leadership on the moral idea of regulatory is very significant in the improvement of employee virtuous-ethical behavior. Thus, it proposed that the ethical code should be applied on the leaders before it can be followed by employees for this will create experience on action norm for these employees by affecting their own experience and at the same time, include their good will in ethical regulatory focus [4]. In addition, some basic activity, which can contribute to ethical behavior, may include talks on ethic, stories that promote ethical behavior, ethical behavior report regarding performance evaluation, and role-playing ethical situation [31].

## VI. CONCLUSION

In conclusion, this study succeeded in achieving the research's objective. These were: Firstly, identifying the factors of ethics-based leadership which affected virtuous-ethical behavior through ethical regulatory focus factors; Secondly, the measuring the direct effect and indirect effect of independent variables such as inspirational motivation, ethical leadership and ethical contingent reward leadership on a dependent variable, which as virtuous-ethical behavior, through mediator factors such as ethical promotion focus and ethical prevention focus; Thirdly, discussing and suggesting the implications to improve the employee virtuous-ethical behavior by affecting to ethics-based leadership and ethical regulatory focus.

In other words, this study recorded that the measurement used to measure the ethics-based leadership, ethical regulatory focus and virtuous-ethical behavior was significant. On the other hand, some items of each measurement were excluded to increase the better performance of each scale by subjective and objective reasons. Therefore, further researches should apply this result to support clearer and more complete measurements.

Finally, this study argued that to increase the employee virtuous-ethical behavior, marketing agency should focus on improving ethics-based leadership and ethical regulatory focus. These the factors are ethical leadership, inspirational motivation, ethical contingent reward leadership, ethical promotion focus, and ethical prevention focus which had direct effect on employee virtuous-ethical behavior. On the other hand, the ethical leadership and ethical contingent reward leadership had indirect effect on employee virtuous-ethical behavior through ethical promotion focus and ethical prevention focus.

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