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Building Employee Performance through Ethical Leadership and Organizational Culture: The Mediating Role of Employee Ethical Behavior

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ABSTRACT

Employee performance has become a critical concern for organizations in the global era. This study examines the effects of ethical leadership and organizational culture on employee performance, with employee ethical behavior as a mediating variable. A quantitative survey was conducted among 175 employees of Universitas Terbuka across the head office and regional units. Data were analyzed using Partial Least Squares Structural Equation Modeling (PLS-SEM). The results show that organizational culture significantly influences employee ethical behavior ($\beta = 0.494$; $p < 0.001$), while ethical leadership has no significant effect ($\beta = 0.175$; $p = 0.099$). Employee ethical behavior strongly affects employee performance ($\beta = 0.685$; $p < 0.001$). Organizational culture also has a direct effect ($\beta = 0.174$; $p = 0.034$) and an indirect effect through ethical behavior ($\beta = 0.339$; $p < 0.001$), whereas ethical leadership shows no significant direct or mediated influence. These findings confirm that organizational culture, but not ethical leadership, plays a significant role in both direct and mediated pathways in improving employee performance.

Keywords: Employee Ethical Behavior; Employee Performance; Ethical Leadership; Organizational Culture; Mediation; PLS-SEM

JEL Classification: M12; M14; D2

INTRODUCTION

Employee performance is a crucial factor in the progress of an institution. Performance is not only influenced by individual abilities, but also by variables such as ethical leadership, organizational culture, and the ethical behavior of employees. Ethics is a benchmark in assessing actions related to morality, such as decency and other deviations. Ethical leadership skill is based on a range of theoretical foundations. According to the social learning theory, employees learn and emulate their leaders' behaviors, and this has a contagious effect within the organization. Leaders are ethical each time they do something ethical, and workers internalize and reproduce the same behavior (Brown et al., 2005).

Ethical leadership and organizational values have been shown to exert a positive and significant influence on employee performance (Pomo et al., 2023). Similarly, prior studies indicate that ethical leadership, organizational culture, and commitment contribute positively to organizational performance, with organizational culture also demonstrating a mediating role through commitment (Maslikha et al., 2025). However, other findings suggest that the influence of ethical leadership on commitment and its indirect effect on performance may not always be significant (Muchsinati & Mea, 2022).

This pattern is further supported by empirical studies published in the International Journal of Applied Business and International Management, which highlight the importance of leadership and organizational factors in shaping employee performance. Leadership has been found to influence performance both directly and through mediating mechanisms such as work motivation (Zuama et al., 2023), while the interaction between transformational leadership and organizational culture enhances performance through innovative work behavior (Ferdinan & Lindawati, 2021). In addition, employee performance is influenced by broader organizational conditions, emphasizing the role of internal organizational factors in determining performance outcomes (Husen et al., 2024).

Despite this general tendency, the literature also reveals inconsistent findings regarding the role of ethical leadership. Rahmanto (2023) shows that while organizational culture consistently demonstrates a positive effect on employee-related outcomes, the influence of ethical leadership appears to be less stable and context-dependent. These mixed findings suggest that the effectiveness of ethical leadership may vary across organizational contexts, thereby necessitating further empirical investigation, particularly in institutional settings.

Through ethical leadership practices, leaders can strengthen an ethics-oriented organizational culture, thereby increasing employee commitment to shared norms (Schein, 2010; Uhl-Bien et al., 2021). Organizational culture is a set of values, norms, and beliefs held by members of an organization. An ethical organizational culture can encourage employees to behave ethically, as employees feel that ethical behavior is expected and supported by the institution. Organizational culture has an impact on the long-term performance of an organization and may even be an important factor in determining the success or failure of an organization (Wibowo, 2010).

Individual values and morals, and the social context, determine whether a particular behavior is considered ethical or unethical. Ethical behavior is behavior that is in accordance with generally accepted social norms regarding right and good actions (Griffin & Ebert, 2006). Performance is the level of achievement of employees in accordance with their work. Employee performance can help institutions understand employee progress and improve overall performance. Performance is the result of an

employee's work during a certain period compared to various possibilities, such as standards, targets, goals, or criteria that are determined and agreed upon together (Piwowar-Sulej & Iqbal, 2024).

Problems with employee performance in ethical leadership include the lack of visible leadership figures and leaders who do not serve as role models for employees. Organizational culture is not visible in the performance of duties, with employees only carrying out routine tasks and showing no initiative. Unethical behavior by employees in the workplace includes discrimination against employees and non-transparent employee performance evaluations (Pudjiarti et al., 2024).

Despite extensive research on leadership and organizational factors, the existing literature still presents inconsistent findings regarding the role of ethical leadership in influencing employee performance, particularly when mediated by behavioral mechanisms. While prior studies generally emphasize the positive role of leadership, empirical evidence suggests that its influence may not always be significant in shaping employee outcomes. In contrast, organizational culture appears to demonstrate a more consistent and robust influence on both employee behavior and performance. However, limited studies have comparatively examined the relative effects of ethical leadership and organizational culture within a single model, especially by incorporating employee ethical behavior as a mediating mechanism in institutional settings.

Therefore, this study aims to address this gap by examining how ethical leadership and organizational culture influence employee performance through employee ethical behavior. The novelty of this research lies in its effort to re-evaluate the role of ethical leadership, which may not significantly influence performance, while highlighting the more dominant role of organizational culture in shaping ethical behavior and performance outcomes. This study contributes to the development of social learning and social exchange perspectives by providing empirical evidence on how organizational context and behavioral mechanisms interact to influence employee performance.

LITERATURE REVIEW

Employee Performance

Performance is the result of work achieved by employees in carrying out their duties and responsibilities in accordance with their respective authorities and responsibilities in achieving organizational goals (Zega, 2022).

Employee performance is the level of achievement of individual work results in a certain period of time, measured based on standards, targets, objectives, or criteria that have been determined and agreed upon by the institution (Piwowar-Sulej & Iqbal, 2024). Employee performance as the result produced from a specific job function or activity during a certain period of time reflects the quality and quantity of work (Adhari, 2021).

Employee performance is the willingness of individuals or groups to perform or improve actions in accordance with their responsibilities, with the expected results (Afandi, 2021). Performance, as a broad concept that encompasses work results and processes, is very important for achieving organizational goals (Rahman & Tiorida, 2016).

Ethical Leadership

Ethics is the ability to distinguish between right and wrong through a process of critical thinking, resulting in actions that are in accordance with moral principles (Alawiyah et al., 2020).

In the study of leadership behavior, there is a growing discourse on value-based leadership, one of which is ethical leadership. Ethical leadership is a way of behaving in a normatively appropriate manner through personal activities and relational relationships, and promoting these activities to employees through correspondence, support, and two-way navigation (Wirawan, 2013).

Strong ethical leadership can encourage employees to behave ethically. This is because ethical leaders can set an example of ethical behavior, build an ethical culture within the organization, and create a work environment that supports ethical behavior (Firmansyah et al., 2024).

Organizational Culture

Organizational culture is characterized by the values, traditions, and behaviors of a company's employees (Dessler, 2008; Gunawan et al., 2025). Organizational culture is a system of specific symbols formed by the surrounding community and the history of the organization, its leadership, and events, which are then shared, used, and modified by actors within the organization in different ways based on their actions and understanding of events within the organization (Allaire & Firsirotu, 1984;Sunarsih et al., 2025).

Employee Ethical Behavior

Employee ethical behavior refers to actions and decisions that are in accordance with the values, norms, and ethical standards that apply in the work environment. This includes aspects such as integrity, responsibility, respect for others, and compliance with company rules. Employee ethical behavior is very important in creating a healthy, productive, and sustainable work environment.

Ethical employee behavior involves the concept of right and wrong actions. Ethical employee behavior is behavior that is in accordance with social norms that are generally accepted and specific to the work environment (Griffin & Ebert, 2006).

Employees need to implement ethical behavior in the company by demonstrating: (1) commitment to outstanding achievements; (2) prioritizing customer satisfaction by serving customers well; (3) implementing service excellence; (4) achieving targets and reporting on time; (5) maintaining the company's good name; (6) demonstrating good performance in accordance with company procedures (Pio et al., 2015).

Hypotheses Development

Ethical Leadership and Employee Ethical Behavior

Ethical leadership plays a critical role in shaping employee behavior through social learning mechanisms. According to social learning theory, employees tend to observe and imitate the behavior of leaders who demonstrate ethical conduct (Albert Bandura; Brown et al., 2005). Ethical leaders provide role models by demonstrating fairness, integrity, and accountability, which are then internalized by employees. Prior studies have shown that ethical leadership positively influences ethical behavior in the workplace, as employees align their actions with the values demonstrated by their leaders.

H1: Ethical leadership has a positive effect on employee ethical behavior.

Organizational Culture and Employee Ethical Behavior

Organizational culture provides a shared system of values and norms that guide employee behavior. Drawing on social exchange theory (Peter Blau), employees reciprocate supportive organizational environments by engaging in positive and ethical

behaviors. A strong ethical culture reinforces expectations regarding acceptable conduct and encourages employees to act in accordance with organizational values. Empirical studies suggest that organizational culture significantly influences ethical behavior by shaping collective norms and behavioral expectations.

H2: Organizational culture has a positive effect on employee ethical behavior.

Employee Ethical Behavior and Employee Performance

Employee ethical behavior contributes to improved organizational outcomes by fostering trust, cooperation, and accountability within the workplace. Ethical behavior reduces opportunistic actions and enhances coordination among employees, which in turn improves individual performance. Prior studies indicate that employees who adhere to ethical standards tend to demonstrate higher levels of performance due to increased commitment and responsibility.

H3: Employee ethical behavior has a positive effect on employee performance.

Ethical Leadership and Employee Performance

Ethical leadership is often associated with improved employee performance through its influence on motivation and behavioral alignment. Leaders who demonstrate ethical conduct are expected to inspire employees to perform better by creating a fair and supportive work environment. However, empirical findings on this relationship remain inconsistent, with some studies reporting non-significant effects. This suggests that the influence of ethical leadership on performance may depend on contextual factors within the organization.

H4: Ethical leadership has a positive effect on employee performance.

Organizational Culture and Employee Performance

Organizational culture plays a central role in shaping employee performance by establishing shared values and norms that guide work behavior. A strong and supportive culture promotes consistency, collaboration, and goal alignment, which are essential for achieving high performance. Empirical studies have consistently shown that organizational culture has a significant positive effect on employee performance.

H5: Organizational culture has a positive effect on employee performance.

The Mediating Role of Employee Ethical Behavior in Ethical Leadership and Performance

Employee ethical behavior may serve as a mechanism through which ethical leadership influences performance. Through social learning processes, ethical leadership shapes employee behavior, which in turn affects performance outcomes. However, given the mixed empirical findings regarding the direct effect of ethical leadership, the mediating role of ethical behavior requires further examination.

H6: Employee ethical behavior mediates the relationship between ethical leadership and employee performance.

The Mediating Role of Employee Ethical Behavior in Organizational Culture and Performance

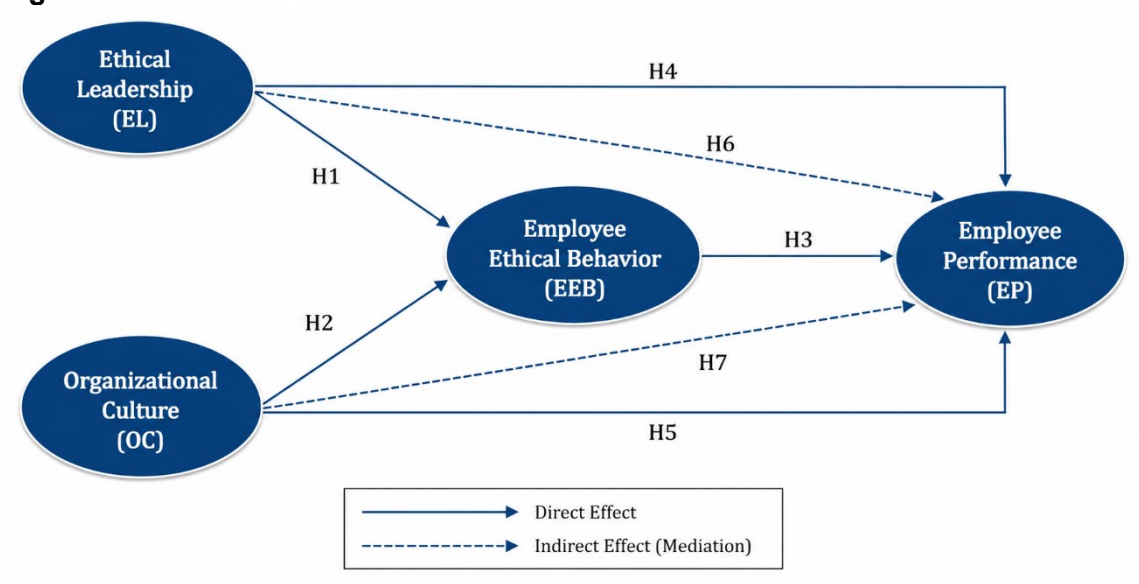
Organizational culture influences employee performance not only directly but also indirectly through behavioral mechanisms. Ethical behavior acts as a pathway through which cultural values are translated into concrete work practices. A strong ethical culture encourages employees to behave responsibly, which ultimately enhances performance outcomes.

H7: Employee ethical behavior mediates the relationship between organizational culture and employee performance.

Conceptual Framework

This study analyses the influence of ethical leadership, organizational culture, and employee ethical behavior on employee performance. Conceptually, the relationships among these variables are illustrated in Figure 1, which presents the proposed research model.

Figure 1. Research Framework



RESEARCH METHOD

Research Approach

This study adopts a quantitative approach to examine the relationships among ethical leadership, organizational culture, employee ethical behavior, and employee performance. A survey method was employed to collect primary data through structured questionnaires. This approach is appropriate for testing causal relationships and estimating both direct and indirect effects within a structural model.

Research Design

The study applies a cross-sectional design, where data were collected at a single point in time. The research focuses on employees of Universitas Terbuka, which operates through a central office and several regional units. The inclusion of multiple sites aims to capture variation in organizational context and employee behavior across different institutional environments.

Sampling Method

The population of this study consists of all employees of Universitas Terbuka. However, the sample was limited to employees from the head office and selected regional units in Bandung, Jember, and Serang due to accessibility considerations. These locations were chosen to represent different operational contexts within the institution.

A purposive sampling technique was applied, focusing on employees who have sufficient work experience and are actively involved in organizational processes. A total of 175 respondents were included in the final sample, ensuring that participants were capable of providing relevant and reliable information regarding leadership practices, organizational culture, and behavioral outcomes.

Data Collection Method

Primary data were collected through the distribution of questionnaires. The measurement items were adapted from established literature to ensure content validity. All constructs were measured using a five-point Likert scale ranging from strongly disagree to strongly agree.

The questionnaire covered four main constructs, namely ethical leadership, organizational culture, employee ethical behavior, and employee performance. Data collection was conducted across the selected organizational units, and only complete responses were included in the analysis.

Data Analysis Method

This study employs Structural Equation Modeling using the Partial Least Squares approach, with analysis conducted using SmartPLS software. The PLS-SEM approach was selected because it is suitable for predictive analysis, capable of handling complex models, and does not require strict assumptions of data normality (Fornell & Bookstein, 1982; Hair et al., 2019).

The analysis was conducted in two stages. The first stage involves the evaluation of the measurement model by assessing convergent validity and construct reliability. The second stage involves the evaluation of the structural model by examining path coefficients, significance levels, and mediation effects. This procedure enables a comprehensive assessment of both direct and indirect relationships among variables.

RESULTS

Respondents' Profile

A total of 175 respondents participated in this study, representing employees from the Universitas Terbuka head office and selected regional units in Bandung, Jember, and Serang. Detailed demographic characteristics such as gender, age, and educational background were not the primary focus of this study and are therefore not reported. However, the sample reflects variation across different organizational contexts within the institution.

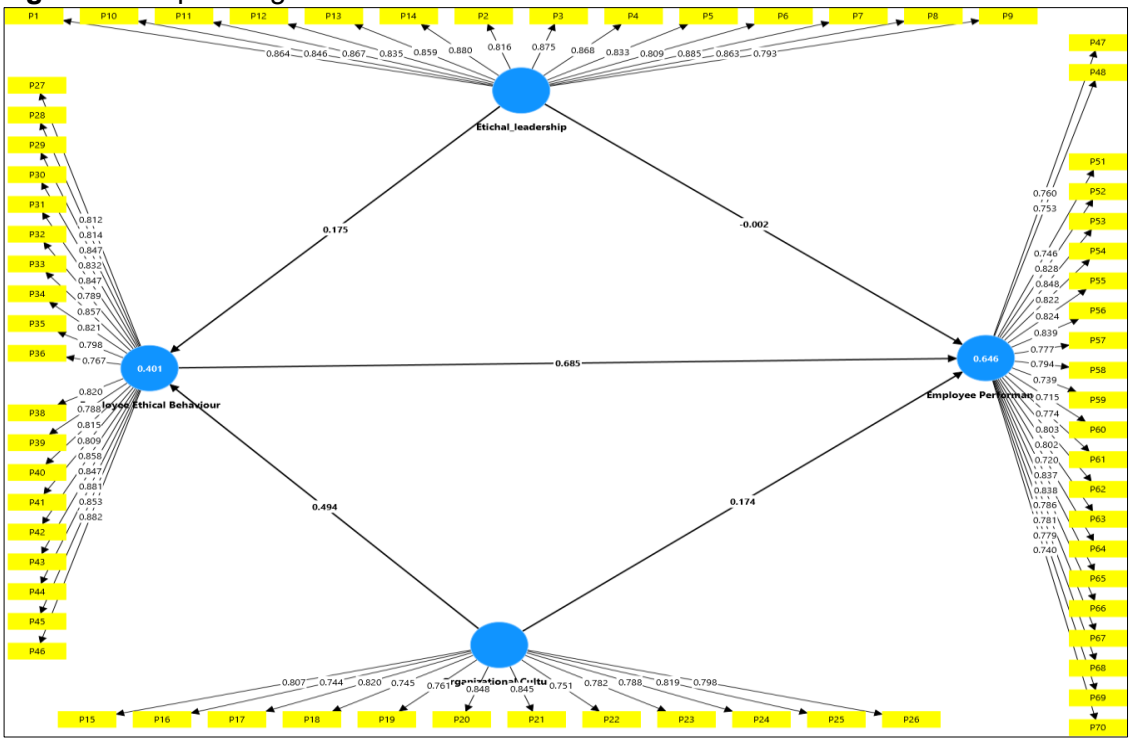
SEM-PLS Analysis

Measurement Model

The measurement model was evaluated using convergent validity and construct reliability (Hair et al., 2019; Sarstedt et al., 2020). Convergent validity was assessed using outer loadings and Average Variance Extracted, which indicate the extent to which indicators represent their respective latent constructs. Outer loadings reflect the strength of the relationship between indicators and constructs, and values above 0.70 indicate that the indicators adequately represent their corresponding constructs (Hair et al., 2019).

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Figure 2. Output Diagram of the Second Estimation Path



Based on Figure 2 and Table 1, all indicators have a loading factor value greater than 0.7, which indicates that each indicator can accurately measure the latent variable.

Table 1. Second Estimation Outer Loadings Values

Indicator	Outer loadings
P1 <- Ethical Leadership	0.864
P10 <- Ethical Leadership	0.846
P11 <- Ethical Leadership	0.867
P12 <- Ethical Leadership	0.835
P13 <- Ethical Leadership	0.859
P14 <- Ethical Leadership	0.880
P15 <- Organizational Culture	0.807
P16 <- Organizational Culture	0.744
P17 <- Organizational Culture	0.820
P18 <- Organizational Culture	0.745
P19 <- Organizational Culture	0.761
P2 <- Ethical Leadership	0.816
P20 <- Organizational Culture	0.848
P21 <- Organizational Culture	0.845
P22 <- Organizational Culture	0.751
P23 <- Organizational Culture	0.782
P24 <- Organizational Culture	0.788
P25 <- Organizational Culture	0.819
P26 <- Organizational Culture	0.798
P27 <- Employee Ethical Behavior	0.812
P28 <- Employee Ethical Behavior	0.814
P29 <- Employee Ethical Behavior	0.847

Indicator	Outer loadings
P3 <- Ethical Leadership	0.875
P30 <- Employee Ethical Behavior	0.832
P31 <- Employee Ethical Behavior	0.847
P32 <- Employee Ethical Behavior	0.789
P33 <- Employee Ethical Behavior	0.857
P34 <- Employee Ethical Behavior	0.821
P35 <- Employee Ethical Behavior	0.798
P36 <- Employee Ethical Behavior	0.767
P38 <- Employee Ethical Behavior	0.820
P39 <- Employee Ethical Behavior	0.788
P4 <- Ethical Leadership	0.868
P40 <- Employee Ethical Behavior	0.815
P41 <- Employee Ethical Behavior	0.809
P42 <- Employee Ethical Behavior	0.858
P43 <- Employee Ethical Behavior	0.847
P44 <- Employee Ethical Behavior	0.881
P45 <- Employee Ethical Behavior	0.853
P46 <- Employee Ethical Behavior	0.882
P47 <- Employee Performance	0.760
P48 <- Employee Performance	0.753
P5 <- Ethical Leadership	0.833
P51 <- Employee Performance	0.746
P52 <- Employee Performance	0.828
P53 <- Employee Performance	0.848
P54 <- Employee Performance	0.822
P55 <- Employee Performance	0.824
P56 <- Employee Performance	0.839
P57 <- Employee Performance	0.777
P58 <- Employee Performance	0.794
P59 <- Employee Performance	0.739
P6 <- Ethical Leadership	0.809
P60 <- Employee Performance	0.715
P61 <- Employee Performance	0.774
P62 <- Employee Performance	0.803
P63 <- Employee Performance	0.802
P64 <- Employee Performance	0.720
P65 <- Employee Performance	0.837
P66 <- Employee Performance	0.838
P67 <- Employee Performance	0.786
P68 <- Employee Performance	0.781
P69 <- Employee Performance	0.779
P7 <- Ethical Leadership	0.885
P70 <- Employee Performance	0.740
P8 <- Ethical Leadership	0.863
P9 <- Ethical Leadership	0.793

Figure 2 and Table 1 present the results of the second estimation of the measurement model. The second estimation refers to the re-estimation of the model conducted to confirm the adequacy of indicator loadings after the initial model specification. Based on the results, all indicators exhibit loading values above 0.70, indicating that no indicators were removed from the initial model. This confirms that all measurement items are valid and retained for further analysis.

The next step in the Convergent Validity test is reliability. Reliability is assessed based on the AVE value, which measures the level of variance of a construct component derived from its indicators, adjusted for error levels. A variable is considered valid if the AVE value is greater than 0.5 or indicates that the construct can explain 50% or more of the variance in its indicators (Sarstedt et al., 2020).

Table 2. AVE Value

Variable	Average Variance Extracted (AVE)
Organizational Culture	0.629
Ethical Leadership	0.723
Employee Performance	0.620
Employee Ethical Behavior	0.687

Based on Table 2, the Average Variance Extracted (AVE) values for all latent variables range from 0.620 to 0.723. All AVE values exceed the minimum threshold of 0.50, indicating that each latent variable possesses good convergent validity. This means that the indicators used in this study are capable of representing the constructs or latent variables being measured.

Furthermore, reliability was measured using Cronbach's Alpha and Composite Reliability (CR). Constructs were considered reliable if Cronbach's Alpha was greater than 0.7 (Fornell & Larcker, 1981) and CR was greater than 0.7 (Sarstedt et al., 2020). Based on Table 3, it can be seen that the Cronbach's Alpha value ranges from 0.946 to 0.975 and the Composite Reliability ranges from 0.949 to 0.975, meaning that the Cronbach's Alpha and CR values for each latent variable are greater than 0.7, indicating that each latent variable is reliable. This indicates that all constructs in the study are reliable, or that the indicators used are consistent in measuring each latent variable.

Table 3. Cronbach's Alpha Values

Variable	Cronbach's Alpha	Composite Reliability (rho_a)	Composite Reliability (rho_c)
Organizational Culture	0.946	0.949	0.953
Ethical Leadership	0.970	0.972	0.973
Employee Performance	0.971	0.972	0.973
Employee Ethical Behavior	0.975	0.975	0.977

Structural Model

Structural model testing was conducted to examine whether there was an influence between the construct and the coefficient of determination (R-squared).

Table 4. Coefficient of determination (R-squared) values

Variable	R-square
Employee Performance	0.646
Employee Ethical Behavior	0.401

The coefficient of determination (R-square) for employee performance is 0.646, indicating that ethical leadership, organizational culture, and employee ethical behavior explain 64.6% of the variance in employee performance, while the remaining 35.4% is explained by other variables not included in the model.

The coefficient of determination (R-square) for employee ethical behavior is 0.401, indicating that ethical leadership and organizational culture explain 40.1% of the variance in employee ethical behavior, while the remaining 59.9% is explained by other variables not included in the model.

Hypotheses Testing

The next step is to test the hypotheses to conclude whether they are rejected or accepted. To see this, the p-value is used with a significance level where if the p-value < then it is rejected, which means that there is an influence from the independent variable on the dependent variable.

Direct Influence

Table 5. Path Coefficients Hypothesis Test Results

Relationship	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Ethical Leadership -> Employee Ethical Behavior	0.175	0.173	0.106	1.652	0.099
Organizational Culture -> Employee Ethical Behavior	0.494	0.489	0.113	4.361	0.000
Employee Ethical Behavior -> Employee Performance	0.685	0.677	0.074	9.243	0.000
Ethical Leadership -> Employee Performance	-0.002	0.001	0.069	0.027	0.978
Organizational Culture -> Employee Performance	0.174	0.173	0.082	2.122	0.034

Note: * significant at Alpha 5%

Based on the results presented in Table 5, ethical leadership does not have a significant effect on employee ethical behavior, as indicated by a probability value of 0.099, which exceeds the 0.05 significance level. This suggests that ethical leadership does not play a strong role in shaping ethical behavior among employees in this context. In contrast, organizational culture has a significant positive effect on employee ethical behavior, with a probability value of 0.000, indicating that a stronger organizational culture is associated with higher levels of ethical behavior among employees.

Employee ethical behavior is found to have a significant positive effect on employee performance, as reflected by a probability value of 0.000, suggesting that higher levels of ethical behavior contribute substantially to improved employee performance. Ethical leadership does not have a significant effect on employee performance, as indicated by a probability value of 0.978, meaning that leadership practices do not directly influence performance outcomes in this model. Meanwhile, organizational culture has a significant positive effect on employee performance, with a probability value of 0.034, indicating that a stronger organizational culture contributes to better employee performance.

Indirect Influence

Table 6. Indirect Influence

Relationship	Original Sample (O)	Sample Mean (M)	Standard Deviation (STDEV)	T Statistics (|O/STDEV|)	P Values
Ethical Leadership -> Employee Ethical Behavior -> Employee Performance	0.120	0.117	0.072	1.670	0.095
Organizational Culture -> Employee Ethical Behavior -> Employee Performance	0.339	0.333	0.095	3.553	0.000

Based on the results presented in Table 6, ethical leadership does not have a significant indirect effect on employee performance through employee ethical behavior, as indicated by a probability value of 0.095, which exceeds the 0.05 significance level. This suggests that employee ethical behavior does not mediate the relationship between ethical leadership and employee performance.

In contrast, organizational culture has a significant indirect effect on employee performance through employee ethical behavior, as reflected by a probability value of 0.000. This finding indicates that employee ethical behavior serves as a mediating mechanism through which organizational culture influences employee performance, meaning that stronger organizational culture is associated with higher ethical behavior, which in turn enhances employee performance.

DISCUSSION

The findings of this study provide a nuanced understanding of the relationships among ethical leadership, organizational culture, employee ethical behavior, and employee performance. Overall, the results partially support the proposed hypotheses and reveal that organizational culture plays a more consistent and influential role than ethical leadership in shaping both employee behavior and performance outcomes.

The results show that ethical leadership does not have a significant effect on employee ethical behavior, thus H1 is not supported. This finding does not align with social learning theory, which suggests that employees tend to imitate ethical role models demonstrated by leaders (Brown et al., 2005). A plausible explanation is that ethical leadership practices in the observed context may not be sufficiently visible or consistently enacted to influence employee behavior. As indicated in the Introduction, the absence of strong role modeling and limited behavioral reinforcement may weaken the transmission of ethical values. This result is consistent with prior studies that highlight the context-dependent nature of ethical leadership (Muchsinati & Mea, 2022; Rahmanto, 2023), suggesting that leadership alone may not be a dominant driver of ethical conduct in institutional settings.

In contrast, organizational culture has a significant positive effect on employee ethical behavior, supporting H2. This finding reinforces the argument that shared values, norms, and institutional expectations embedded in organizational culture play a central role in guiding employee conduct (Schein, 2010). From the perspective of social exchange theory, employees reciprocate a supportive and value-driven environment by engaging in ethical behavior (Blau, 2017). This result is also consistent with prior empirical findings emphasizing the role of organizational context in shaping behavioral outcomes (Ferdinan & Lindawati, 2021; Husen et al., 2024).

The results further indicate that employee ethical behavior has a strong and significant effect on employee performance, supporting H3. This suggests that ethical behavior

functions as a key mechanism that enhances work outcomes by fostering trust, accountability, and cooperation. Ethical conduct reduces opportunistic behavior and improves coordination, thereby contributing to higher performance levels. This finding is consistent with prior research highlighting the positive relationship between ethical behavior and performance (Piwowar-Sulej & Iqbal, 2024).

Ethical leadership is found to have no significant direct effect on employee performance, indicating that H4 is not supported. This finding contrasts with studies that report a positive influence of ethical leadership (Pomo et al., 2023), but supports other research showing non-significant relationships (Muchsinati & Mea, 2022). This suggests that ethical leadership may not directly translate into performance outcomes, particularly in organizational contexts where structural and cultural mechanisms exert stronger influence.

Meanwhile, organizational culture has a significant positive direct effect on employee performance, supporting H5. This finding confirms that organizational culture serves as a foundational mechanism that shapes employee attitudes, behaviors, and performance outcomes (Wibowo, 2010). A strong culture promotes shared goals, behavioral consistency, and collective alignment, all of which contribute to improved performance. This result is consistent with prior studies highlighting the central role of organizational factors in determining employee performance (Zuama et al., 2023; Husen et al., 2024).

With respect to indirect effects, the findings show that employee ethical behavior does not mediate the relationship between ethical leadership and employee performance, indicating that H6 is not supported. This suggests that ethical leadership fails to influence performance both directly and indirectly through behavioral mechanisms. This reinforces the argument that the effectiveness of ethical leadership is contingent upon contextual conditions and may not be sufficient to drive performance outcomes in isolation.

In contrast, employee ethical behavior significantly mediates the relationship between organizational culture and employee performance, supporting H7. This indicates a partial mediation effect, where organizational culture influences performance both directly and indirectly through ethical behavior. This finding highlights the importance of behavioral mechanisms in translating organizational values into tangible performance outcomes. It also supports the integration of social exchange and social learning perspectives, where organizational context shapes behavior, which in turn affects performance.

Overall, this study contributes to the literature by addressing the inconsistency identified in previous research regarding the role of ethical leadership. The findings demonstrate that ethical leadership may not always function as a primary driver of employee behavior and performance, particularly when compared to organizational culture. Instead, organizational culture emerges as a more dominant and consistent factor, both directly and through its influence on employee ethical behavior. These results refine existing theoretical perspectives by emphasizing the relative importance of organizational context over leadership in shaping employee outcomes.

CONCLUSION

This study examines the relationships among ethical leadership, organizational culture, employee ethical behavior, and employee performance within an institutional context. The findings indicate that organizational culture has a significant positive effect on employee ethical behavior, while ethical leadership does not demonstrate a significant

influence. This suggests that shared organizational values and norms play a more decisive role than leadership practices in shaping ethical conduct among employees.

Furthermore, employee ethical behavior and organizational culture are found to have significant positive effects on employee performance. In contrast, ethical leadership does not have a significant direct effect on employee performance. These findings indicate that employee performance is more strongly influenced by behavioral and cultural mechanisms than by leadership factors alone.

Importantly, the results distinguish between direct and indirect effects. Organizational culture has both a significant direct effect on employee performance and an indirect effect through employee ethical behavior, indicating a partial mediation. This suggests that organizational culture not only influences performance directly but also operates through behavioral mechanisms that reinforce performance outcomes. In contrast, employee ethical behavior does not mediate the relationship between ethical leadership and employee performance, as ethical leadership does not show a significant effect in either direct or indirect pathways.

Theoretically, this study contributes to the literature by clarifying the inconsistent role of ethical leadership and highlighting the dominant influence of organizational culture in shaping employee behavior and performance. The findings extend social learning and social exchange perspectives by demonstrating that organizational context may be more influential than leadership in determining behavioral and performance outcomes.

Practically, the results suggest that organizations should prioritize strengthening organizational culture to promote ethical behavior and improve employee performance. Efforts to enhance shared values, norms, and ethical standards may be more effective than relying solely on leadership practices.

This study recommends that future research incorporate additional variables, such as organizational commitment, leadership visibility, or contextual factors, and apply longitudinal or mixed-method approaches to provide a deeper understanding of the dynamics between leadership, culture, and employee outcomes.

LIMITATION

This study has several limitations. First, the sample was restricted to employees from selected units of Universitas Terbuka, which may limit the generalizability of the findings to other institutional contexts. Second, the cross-sectional design without time-lag limits the ability to establish causal relationships among variables. Third, the use of self-reported data from a single source may introduce potential response bias. In addition, the model is limited to the variables examined in this study, and other contextual or organizational factors may also influence employee behavior and performance but were not included. Future research is encouraged to expand the sampling scope, apply longitudinal approaches, incorporate multi-source data, and consider additional variables to enhance the robustness and explanatory power of the findings.

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DECLARATION OF CONFLICTING INTERESTS

The authors declare that there are no conflicts of interest related to the research, authorship, and publication of this article. This study was conducted independently without any financial, commercial, or personal relationships that could have influenced the research outcomes.

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