The impact of leaders' ethical behavior on certain individual and organizational effects: the Serbian case*

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This paper presents the results of research into the influence of ethical leadership behavior on certain individual and organizational effects in Serbian companies. Specifically, the study involves the examination of the impact of ethical leadership on job satisfaction, organizational commitment and financial performance. Job satisfaction and organizational commitment are viewed as individual effects and financial performance as organizational effects. In addition, we examined the moderating effect of professional respect and confidence in the actions of management on the observed relations. The data were obtained by using questionnaires completed by 380 middle managers from 102 companies in Serbia. The main conclusions of the study are: 1. Ethical leadership behavior has a stronger positive impact on individual effects rather than on organizational effects. 2. Both moderators show a similar operating direction of moderation: in unfavorable conditions, ethical leadership behavior has a much higher impact on the observed effects. Practically, in adverse circumstances, employees may have less tolerance for the unethical behavior of their leader.

Keywords: Ethical leadership, job satisfaction, organizational commitment, financial performance, Serbia.

1 Introduction

In recent years, people have been talking more and more about leadership, and ethical leadership is being encouraged because of the significant number of scandals which have arisen as the consequence of the unethical behavior of leaders (Kalshoven/Den Hartog 2009). Such scandals have attracted both the attention of the public and researchers addressing the issue of ethical leadership. In addition, the ethical behavior of leaders is placed on the priority list of organizations, primarily due to the strong impact on the trust and reputation of an organi-

* Received: 30.05.2015, accepted: 28.07.2016, 4 revisions.

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zation and its leaders (Kalshoven/Den Hartog/De Hoogh 2011; Mendonca 2001), which significantly affects the recruitment of new employees (Ogunfowora 2014).

Organizations have begun a program of ethics and integrity in order to prevent the occurrence of scandals in the future (Resick/Hanges/Dickson/Mitchelson 2006). The same authors state that the incidence of unpleasant events has resulted in raised awareness and public attention, but also the development of the need for research into ethical leadership in different cultures. According to (Resick et al. 2006), studies dealing with diversity in cultures show that there is a likelihood of the various aspects of ethical leadership being viewed as a contribution or an obstacle to efficient management. The business practice accepted in one country may be contrary to the Code of Ethics or way of doing business in other countries (Resick et al. 2006; Jackson 2001).

Production and profitability usually stand out as the primary goals of the leader. However, on the other hand, leaders also have a responsibility to ensure standards about moral and ethical behavior (Resick et al. 2006; Cullen/Victor/Stephens,1989). Authors Resick et al. (2006) suggest that the responsibility of leaders to ensure ethical and moral leadership is not a new concept, but a topic of discussion that is centuries old. However, the number of empirical studies of ethical leadership behavior is limited, and up to date multilevel research is in this area is rare (Den Hartog/De Hoogh 2009). According to Daft (2011), in addition to their jobs, ethical leaders have to care for their employees, customers, suppliers, communities, and shareholders as well as themselves. It is clear that leaders' ethics has an impact on a number of organizational and business performances. Of particular importance to this work are the impacts of leaders' ethics on job satisfaction, organizational commitment and financial performance.

Job satisfaction is largely dependent on the leaders' ethics. Having ethical leaders who take care of the interests of their employees, thus establishing a spirit of openness and fairness in decision making, results in employees who trust and are satisfied with their leader. In this situation the employees are satisfied with the way the leader treats them, and the manner in which the leader punishes those who act wrongly. The employees' satisfaction with their leader has a positive effect on the commitment of the employees in the workplace, the level of their performance, and satisfaction with pay and promotion (Brown/Trevino/Harrison 2005; Dirks/Ferrin 2002). Numerous studies show that the job satisfaction of employees is higher if the level of leaders' ethics is higher (Yates 2014; Ghahroodi/Zulkifli bin Tan Sri Mohd Ghazali/Ghorban 2013; Kim/Brymer 2011; Kalshoven et al. 2011).

Organizational commitment is a topic that has attracted the attention of researchers who deal with the attitudes of employees towards work and employee behavior (Meyer/Stanley/Herscovitch/Topolnytsky 2002). The research results

indicate that the level of leaders' ethics has an impact on the organizational commitment of employees, or some dimensions of commitment (Yates 2014; Ghahroodi et al. 2013; Kim/Brymer 2011; Zhu/May/Avolio 2004; Kalshoven et al. 2011). The results of a study about the relationship of ethical leadership and organizational commitment components show the positive influence of ethical behavior on the affective and normative component and the negative impact on the continuance component (Den Hartog/De Hoogh, 2009).

Observation of the relationship between ethical leadership and financial performance has been done more recently. Although there are just a few studies about this relationship, the results show that ethical leadership significantly influences economic indicators (Chun/Shin/Choi/Kim 2013; Žemgulienė 2013; Shin/Sung/Choi/Kim 2014)

Certain elements of organizational behavior, such as LMX and trust in leaders, may be of particular importance for the accurate identification and consideration of the sensitive relations between ethical leadership and individual organizational and business performances. When it comes to LMX, there are many benefits of high-LMX at both the organizational and individual level (Scandura/Graen 1984), including promotion, organizational commitment, job satisfaction, the behavior of citizens, willingness to contribute to organizational performance and confidence in the leader (Graen/Novak/Sommerkamp 1982; Erdogan/Enders 2007; Anseel/Lievens 2007). Research studies (Graen et al. 1982; Major/Kozlowski/Chao/Gardner 1995; Schriesheim/Neider/Scandura/Tepper 1992) indicate a positive correlation between LMX and long-term job satisfaction. Some studies perceive the relationship of ethical leadership behavior with personality, employee performance and LMX as the mediator of the relationship (Walumbwa et al. 2011).

Dirks and Ferrin (2002) analyzed numerous studies, conducted over four decades, about confidence in leaders. The results of their extensive research, among others, indicate that confidence in leaders is significantly associated with all the attitudes and behaviors of employees, as well as the performance that employees fulfil. In addition, numerous studies have confirmed the link between ethical leadership and trust in leaders, and the significance of the trust that employees have toward ethical leaders (Brown et al. 2005; Den Hartog/House/Hanges/RuizQuintanilla/Dorfman 1999; Van den Akker/Heres/Lasthuizen/Six 2009).

The research presented in this paper is inspired by the desire, but also the need to determine the direction and intensity of the impact of ethical leadership on job satisfaction, organizational commitment and financial performance in companies in Serbia. The moderating effect of the professional respect of employees toward their leader (one dimension of LMX) and confidence in management actions on the observed relations was also examined. Similar studies in Serbia have not

been carried out so the results of this study are of high significance. The wider significance of this study derives from the results when the observed relations of the two aforementioned moderators were introduced into the analysis. These moderators (professional respect and confidence in the actions of management) have not been previously used to analyze the impact of ethical leadership on job satisfaction, organizational commitment and financial performance. The results will show that, to some extent, professional respect for the leader and confidence in the actions of management can compensate for the unethical behavior of leaders, and in turn the ethical behavior of leaders may also compensate for the professional shortcomings of leaders, as well as the poor strategic functioning of top management. The research results, discussion and conclusions are presented below.

2 Theory and hypothesis

2.1 Ethical leadership behavior

Ethical leadership behavior is defined as the demonstration of normatively appropriate behavior through personal actions and interpersonal relationships, as well as the promotion of such behavior to followers through two-way communication (Brown et al. 2005). Basically, ethical leadership means acting in a manner that respects the rights and dignity of others (Resick et al. 2006; Ciulla 2004). Five principles that affect the development of ethical leadership are: respecting others, service to others, justice for others, honesty towards others and building community with others (Northouse 2013).

Previously, researchers have focused on the ethical component of leadership style, but in recent years ethical leadership behavior has been perceived as a particular leadership style (Brown et al. 2005; De Hoogh/Den Hartog 2008; Kalshoven et al. 2011). As leaders are in a position of social power, ethical leadership is focused on the way in which leaders use their social power in the decisions they make, their actions and the way they influence others (Resick et al. 2006; Gini 1997). High ethical leadership behavior has a positive impact on the attitudes of employees, but also on the ethical behavior of the employees themselves (Kalshoven/Den Hartog 2009; Brown et al. 2005; Trevino/Brown/Hartman 2003). In addition, ethical leaders use power in a socially responsible way, and leadership is a process that has an impact on the social responsibility of employees (De Hoogh/Den Hartog 2009).

Brown et al. (2005) developed 10-item Ethical Leadership Scale (ELS), a single overall scale and in doing so combined various ethical leader behaviors. Resick et al. (2006), De Hoogh and Den Hartog (2008, 2009) and Kalshoven et al. (2011, 2011 a) believe that these ethical leader behaviors are fundamentally different and can have different causes and consequences, but are basis for further development of the concept. On this basis, these authors explore ethical leader-

ship as a multidimensional construct. For example, although they believe that for some research purposes it is beneficial to apply ELS, Kalshoven et al. (2011) measured ethical leader behaviors separately: fairness, power sharing and role clarification, which Brown et al. (2005) combined in a one dimensional scale. In addition to these three dimensions, they also measure people orientation, ethical guidance, concern for sustainability and integrity.

Similarly as in some previous research studies (Brown et al. 2005; De Hoogh/Den Hartog 2008; Kim/Brymer 2011; Kalshoven et al. 2011; Yates 2014), in this paper we examine the impact of ethical leadership on job satisfaction and commitment. In addition, similar to the reference (Chun et al. 2013; Žemgulienė 2013; Shin et al. 2014), in this paper we examine the impact of ethical leadership on economic performance. For the measurement of ethical leadership, in this study we use Brown et al. (2005) uni-dimensional scale, and a multidimensional scale for measuring ethical leader behaviors as measured by Kalshoven et al. (2011).

2.2 Job satisfaction

According to Spector (1997), job satisfaction is a person's evaluation of his (or her) job and work context, i.e. an attitude reflecting how well people like or dislike their jobs. Researchers have recognized job satisfaction as a general or global concept that comprises various facets or dimensions (Judge/Parker/Colbert/Hiller/Ilie, 2001; Spector 1997). Locke (Locke 1976: 1302-1304) defined job satisfaction as a satisfactory or positive emotional state resulting from the assessment of one's job or work experience. According to McCormick and Ilgen (1985), job satisfaction is the association or attitude of the members of an organization and refers to the general attitude of an individual in relation to his work.

Individuals evaluate their work based on certain factors that are considered essential (Sempane/Rieger/Roodt 2002). This assessment is an emotional response to work, which can vary along a continuum from positive to negative (McCormick/Ilgen 1985). People feel that they are satisfied with their job when they feel good about their work. That feeling is often associated with a feeling of doing a good job, of becoming more skilled in their profession or enjoying good performance (Megginson/Mosley/Pietri 1982). A high level of job satisfaction leads to an increase in performance, commitment to the organization, and at the same time, reduces absenteeism and the abandonment of an organization (Cohrs/Abele/Dette 2006). In addition, leaders are in a position to create a working environment so that their decisions are considered by the employees to be fair. Ethical leaders care about employees, show understanding and treat employees with dignity and respect (Brown et al. 2005). Employees who feel that they are treated fairly and receive the support of their superiors feel greater job satisfaction (Brown et al. 2005; De Hoogh/Den Hartog 2008; Kalshoven et al. 2011). In this

study we use the multidimensional scale for measuring job satisfaction developed by Spector (1985). In this paper, we examine the correlations between ethical leadership and job satisfaction. Also, we examine whether and to what extent ethical leadership predicts the job satisfaction of employees in companies in Serbia.

2.3 Organizational Commitment

Organizational commitment is more than employees' loyalty towards an organization. Commitment is the active connection of employees with an organization, in which the individual is willing to give up something for the sake of the organization (Mowday/Steers/Porter 1979). Organizational commitment usually examines more dimensions that describe feelings, such as a feeling of belonging, identification and a sense of individual obligation to the organization (Cook/Wall 1980; Mowday et al. 1979).

Meyer and Allen (1991), are the authors of the three-component model of organizational commitment. The three components of this model are: affective commitment – an emotional commitment to the organization, employee identification with the organization and involvement in the organization; continuous commitment – the employee's awareness that there is a price to leaving an organization where the employees remain in the organization because they feel that they have to stay; normative commitment – the feeling of the employee's obligation to stay in the organization. Authors Cook and Wall (1980) perceive organizational commitment through three dimensions. The first dimension is organizational identification and a perceived sense of pride in belonging to an individual organization. The second is focused on the individual's desire to make additional efforts for the benefit of the organization and was named organizational involvement. The third dimension is organizational loyalty and it is reflected in the relationship and feeling of the individual that he/she has an obligation to the organization. In this paper we measure organizational commitment in accordance with the dimensions defined by Cook and Wall (1980).

The organizational commitment of employees is encouraged by leaders who are fair to employees, treat them with respect and care for others (Brown et al. 2005; Yates 2014). Ethical leaders promote open communication and altruistic attitudes among followers, which affects the increase of the employees' commitment (Kalshoven et al. 2011). Employees look up to their leaders and adopt their ethical standards and employee ethics is one of the predictors of organizational commitment (Chun et al. 2013). In this paper, we examine the correlations between ethical leadership and organizational commitment. Also, we examine whether and to what extent ethical leadership provides the organizational commitment of employees in companies in Serbia.

2.4 LMX (Leader-Member Exchange) – Professional respect

The LMX theory is a leadership theory that describes the quality of relationships between supervisors and their subordinates-followers (Dansereau/Graen/Haga, 1975). This theory has been widely researched (Goertzen/Fritz 2004) and its quality is measured by the relationship of mutual trust and support between superiors and their followers (Seabright/Leventhal/ Fichman 1992). The members of a group with high LMX share mutual trust, respect, mutual influence, loyalty, connectivity, and a sense of obligation towards their leader (Graen/Uhl-Bien 1995). Graen and Uhl-Bien (1995) defined LMX as the ratio of interpersonal exchanges between the subordinate and his/her leader. Through research and study that has been going on for more than a quarter of a century, LMX has evolved into a general assessment of the employment relationship between leaders and members, measured by the degree of mutual trust, loyalty, understanding and support (Keup 2000).

Leader-Member Exchange has been a one-dimensional relationship based on exchange in the workplace (Greguras/Ford 2006). In this paper, we used Liden and Maslyn's (1998) multidimensional scale, whose advantage lies in the fact that some dimensions have different correlations with certain outcomes. For this reason, the multidimensional scale provides a better insight into those aspects of LMX relationships that are important for a particular outcome. The dimension which was used in this research is professional respect. This dimension represents the degree to which each member of the relationship builds a reputation in or outside the organization in order to do his/her job better. This perception may be based on historical data about the person, such as: personal experiences with the individual, comments about a person that individuals give from within the organization or outside it, and a person's awards or other professional accomplishments (Liden/Maslyn 1998).

Walumbwa et al. (2011) argues that ethical leaders in many ways can influence the quality of LMX in employees. Among other things, employees consider ethical leaders as moral, honest and trustworthy people. All the above characteristics affect the high level of professional respect dimensions. In this paper, we investigate whether the dimension of professional respect serves as a moderator between the relations of ethical leadership and job satisfaction, organizational commitment and financial performance in the companies in Serbia.

2.5 Interpersonal trust at work – Confidence in the actions of management

The importance of trust in a leader has been a significant issue for several decades of researchers and a key concept in several leadership theories (Dirks/ Ferrin 2002). Cook and Wall (1980) point out that it is widely accepted that the trust between individuals and groups in a company is very important for the long-term stability of the organization and the welfare of its members. These au-

thors have developed an instrument for measuring mutual trust in the workplace, which makes it possible to measure trust in the intentions and confidence in the ability of both contributors and management. The instrument developed by Cook and Wall (1980) was used in this study, namely the confidence in the actions of management dimension.

Ethical leadership is associated with trust in the leader (Brown et al. 2005). Employees observe ethical leaders as role models. Kalshoven and Den Hartog (2009) argue that for this reason, ethical leaders are likely to be seen as the group prototype. This is why it is important for leaders to be more trusted and effective. Employees who feel that they are treated fairly and receive the support of their superiors develop a greater degree of confidence in the leader (Brown et al. 2005; De Hoogh/Den Hartog 2008; Kalshoven et al. 2011). Also, employees feel that ethical leaders make good decisions and take care of the welfare of employees, organizations and society (Brown et al. 2005; Walumbwa et al. 2011). In this paper, we investigate whether the dimension confidence in the actions of management is a moderator of the relations of ethical leadership and job satisfaction, organizational commitment and financial performance of companies in Serbia.

The basic idea of this paper was to explore how ethical leadership behavior impacts on certain individual and organizational effects. Job satisfaction and organizational commitment are taken as representative of individual effects and financial performance as representative of organizational effects. What we wanted to do was to draw parallels between the impact of ethical leadership behavior on these two groups of effects, that is, at the same time to examine whether ethical leadership behavior has a different impact on the individual and the organizational effects. It is entirely possible that there are differences in these impacts, and it would be important to determine their direction and intensity.

For the moderators of the observed relationships we have chosen professional respect (the LMX dimension) and confidence in the actions of management (the interpersonal trust at work dimension). We wanted to examine both what happens if employees respect the expertise of their leader and if they believe that their leader is not competent: whether, and in which of these two cases does the impact of ethical leadership behavior amplify the individual and organizational effects? In other words, what happens if the leader is a professional, but does not behave ethically and vice versa: the leader is not a professional, but behaves ethically? Similar thinking has existed for another moderator: confidence in the actions of management. The question is how employees perceive a leader who manages the business strategically, but does not behave ethically, or if the situation is reversed: the leader behaves ethically, but strategically does not manage the business very well? How do these potential cases reflect on the individual and organizational effects? In addition, we have chosen these dimensions as

moderators because such a choice seemed interesting to us. Specifically, these dimensions are very rarely used as moderators. At the same time, their nature is such that in this case they can provide significant information.

In accordance with the previous considerations, the research presented in this paper is exploratory in nature making it difficult to give the hypothesis in advance. Therefore, research questions were set up:

- RQ1: What is the correlation between the ethical leadership dimensions and the dimensions of job satisfaction, organizational commitment and financial performance items?
- RQ2: Whether and to what extent is there a predictive effect of the ethical leadership dimensions on the dimensions of job satisfaction, organizational commitment and financial performance items?
- RQ3: Is there a moderating effect of the professional respect (LMX dimension) in relation to the ethical leadership dimensions, dimensions of job satisfaction, organizational commitment and financial performance items?
- RQ4: Is there a moderating effect of confidence in the actions of management (interpersonal trust in the work dimension) on the relation between the ethical leadership dimensions and dimensions of job satisfaction, organizational commitment and financial performance items?

3 Method

3.1 Survey instruments (measures)

In this research ethical leadership is measured by two instruments, the Ethical Leadership Scale (Brown et al. 2005) and the Ethical Leadership at Work Questionnaire (Kalshoven et al. 2011). Two instruments were used in order to obtain complete and accurate results. The ELS (Ethical Leadership Scale) consists of 10 items, which, according to the authors (Brown et al. 2005), are understandable to adults. The questionnaire is concise and is used in studies dealing with employee behavior. The ELW (Ethical Leadership at Work questionnaire) is an instrument which aims to assist in the understanding of the necessary prerequisites and consequences of moral leadership (Kalshoven et al. 2011). The instrument has 38 items that assess fairness, integrity, ethical guidance, people orientation, power sharing, role clarification, and concern for sustainability. For both instruments the items are valued by marks 1-5, where 1 is strongly disagree, and 5 is completely agree.

In order to measure job satisfaction the job satisfaction questionnaire (JSS) was used. The JSS questionnaire has 36 items, which are valued from 1 to 6 and there are nine scales that assess the attitudes of employees to the following aspects of their jobs: pay, promotion, supervision, fringe benefits, contingent rewards, operating procedures, co-workers, nature of work and communication (Spector 1985).

Organizational commitment was measured by the instrument made by Cook and Wall (1980). The instrument has 9 items, and measures the organizational identification, engagement and loyalty of employees. The responses were evaluated by marks 1-5, where 1 is strongly disagree, and 5 is completely agree.

When choosing those financial performances that will be correlated with ethical leadership in this research, we were guided by references which examine the following aspects of financial performance: profitability, sales growth, asset growth, market share, and competitive status in the firm's industry (Tan/Litschert 1994; Wang/Tsui/Zhang/Ma 2003; Wang/Tsui/Xin 2011). The above mentioned five performances were supplemented with two more: productivity and salaries. The seven financial performances which were examined in this study were thus formed. All seven performances were evaluated based on a five-point Likert scale. This was modelled on the references (Tan/Litschert 1994; Wang et al. 2003; Wang et al. 2011).

The LMX dimension of professional respect was used as a moderator. The LMX questionnaire (Liden/Maslyn 1998) comprises 12 items and 4 dimensions: contribution, loyalty, affect, and professional respect. The professional respect dimension measures the extent to which the leaders and members of the organization build a reputation within or outside the organization in order to improve the performance of their tasks (Liden/Maslyn 1998). The responses were evaluated by marks 1-5, where 1 is strongly disagree, and 5 is completely agree.

The instrument Interpersonal Trust at Work (Cook/Wall 1980) has 12 items and measures faith in the intentions and confidence in the actions of colleagues and management through four dimensions. The confidence in the actions of management dimension was used as a moderator and the responses were evaluated in the range of 1-7, where 1 is strongly disagree, and 7 is completely agree.

3.2 Participants and data collection

The research was carried out in Serbian companies. The research was conducted by the respondents (middle managers) completing the questionnaire. A total of N = 380 middle managers from 102 companies completed the questionnaire. N (0) = 600 questionnaires were distributed and replies from 412 respondents were obtained. In addition, 32 questionnaires were excluded from further analysis because these respondents did not provide complete answers. Hence, the response rate was about 63%. The number of questionnaires we received from companies ranges from 1 to 5 (from some companies we got 1 questionnaire, from others 2, 3, 4, or 5 questionnaires). This system was used to cover a greater number of companies.

Middle managers evaluated the ethical leadership of their top managers and assessed the quality of ethical conduct of the CEO in the company. At the same

time, the respondents (middle managers) evaluated their own job satisfaction and organizational commitment (perceived individual effects). Also, the middle managers expressed their assessment of the financial performances of their companies (perceived organizational effects). In this way the desired relations are established: the ethical leadership of the CEO and the job satisfaction of employees, the ethical leadership of the CEO and the organizational commitment of employees and the ethical leadership of the CEO and the organizational financial performance items. Middle managers were taken as a sample as they have contacts with the senior management and the CEO, as well as with other employees. Also, middle managers have a better insight into and knowledge of the business, results and prospects of the company than other employees.

For data analysis, in this paper, the following control variables were used: the gender of the CEO (GCEO), the age of the CEO (ACEO) and the ownership structure of the company (OWS). The respondents were asked about the gender of their CEO, wherer their CEO is younger (under 45 years of age) or older (over 45), as well as the ownership structure of their company. According to the observed control variables in the sample there were 341 male and 39 female CEOs; 279 CEOs under 45 years of age and 101 CEOs over 45; 240 state-owned companies and 140 private companies.

4 Results

In this paper, we used the most commonly applied statistical methods for data processing allowing comparability of other research results that present some of the relationships that are also observed in this study. For data processing, we used descriptive statistics and correlation analysis. Further, hierarchical multiple regression analysis was used to determine the predictive effect of the CEO's gender and age as well as the ownership structure of the company, and the predictive effect of the ethical leadership dimensions (independent variables) on the dimensions of job satisfaction, the organizational commitment dimensions and the financial performance items (dependent variables). In addition, we also used hierarchical regression analysis in order to investigate the moderating effect of LMX4 – professional respect and ITW4 – confidence in the actions of management on the relation of the ethical leadership dimensions and those of job satisfaction and organizational commitment and the financial performance items. The first step of checking the moderating influence involves the independent dimension of ethical leadership (individualy), in the second step the observed moderator is added, and in the third step the product of the observed centered dimensions of the ethical leadership moderator is added.

4.1 Descriptive statistics

Table 1 presents the descriptive statistics for the Ethical Leadership Scale, ethical leadership at work, the facets of job satisfaction, the organizational commitment dimensions, professional respect (the LMX dimension) and confidence in the actions of management (the interpersonal trust at work dimension). The table also gives the names of the items and sizes, the short names for each item or dimension, the mean and standard deviation of all the items and dimensions, as well as Cronbach's alpha for each dimension. The values of Cronbach's Alpha range from $\alpha = 0.749$ to $\alpha = 0.942$.

Table 1 Descriptive statistics for all items and dimensions

	Abbreviations	N	Minimum	Maximum	Mean	Std. Deviation	α
Ethical Leadership Scale	ELS	380	1.00	5.00	4.1563	.78528	.935
People orientation	ELW1	380	1.00	5.00	4.0737	.91767	.942
Fairness	ELW2	380	1.00	5.00	4.0294	.88958	.901
Power sharing	ELW3	380	1.17	5.00	3.9947	.90552	.895
Concern for sustainability	ELW4	380	1.00	5,00	4,0614	1.00382	.899
Ethical guidance	ELW5	380	1.00	5.00	4.0947	.85232	.926
Role clarification	ELW6	380	1.00	5.00	4.0084	.93760	.896
Integrity	ELW7	380	1.00	5.00	4.0178	.99612	.906
Pay	JS1	380	1.00	6.00	4.1954	1.09123	.749
Promotion	JS2	380	1.00	6.00	4.2489	1.12466	.790
Supervision	JS3	380	1.00	6.00	4.4013	1.06615	.764
Fringe Benefits	JS4	380	1.00	6.00	4.2257	1.16438	.793
Contingent Rewards	JS5	380	1.00	6.00	4.2638	1.17372	.791
Operating Procedures	JS6	380	1.00	6.00	4.3421	1.10456	.753
Coworkers	JS7	380	1.25	6.00	4.4086	1.06610	.763
Nature of Work	JS8	380	1.00	6.00	4.3599	1.04575	.764
Communication	JS9	380	1.00	6.00	4.3151	1.05998	.771
Organizational identification	OCM1	380	1.00	5.00	3.6360	.88072	.796
Organizational involvement	OCM2	380	1.33	5.00	3.5684	.94452	.806
Organizational loyalty	OCM3	380	1.00	5.00	3.5439	.88745	.796
Productivity	FP1	380	1	5	3.90	.702	
Profitability	FP2	380	1	5	3.78	.831	
Market share	FP3	380	1	5	3.57	.979	
Sales growth	FP4	380	1	5	3.46	1.041	
Competitive status	FP5	380	1	5	3.50	1.054	
Asset growth	FP6	380	1	5	3.37	1.107	
Salaries	FP7	380	1	5	3.28	1.064	
Professional respect	LMX4	380	1.00	5.00	4.3211	.87532	.855
Confidence in actions of Management	ITW4	380	1.00	7.00	5.5789	1.28219	.863

4.2 Correlation analysis

Table 2 presents the results of the correlation analysis between the ethical leadership dimensions and those of job satisfaction, the organizational commitment

dimensions, the financial performance items and the control variables (the gender of the CEO, the age of the CEO and the ownership structure of the company). These results refer to the total sample of N = 380 respondents. Pearson correlation was used.

In Table 2 we can see that there are mostly positive and statistically significant correlations between the dimensions of ethical behavior of leaders and those of job satisfaction, organizational commitment and financial performance. The correlation coefficients of some relationships are relatively small, but statistically significant (**$p<0.01$). It can be concluded that the dimensions of the ethical behavior of leaders are an important factor determining the observed variables.

The CEO's gender does not achieve statistically significant correlations, except in the case of the OCM2 – organizational involvement dimension, where the correlation is positive. The CEO's age mainly achieves statistically significant correlations, which are negative for the dimensions of ethical leadership and some dimensions of job satisfaction, and positive for some financial performance items. Ownership structure mainly achieves statistically significant positive correlations, except for certain financial performance items, where the correlations are not statistically significant.

Table 2 Pearson coefficients of the correlations between the ethical leadership dimensions and dimensions of job satisfaction, the organizational commitment dimensions and financial performance items

	ELS	ELW1	ELW2	ELW3	ELW4	ELW5	ELW6	ELW7	JS1	JS2	JS3	JS4	JS5	JS6	JS7	JS8	JS9	OCM1	OCM2	OCM3	FP1	FP2	FP3	FP4	FP5	FP6	FP7	GenCEO	Age CEO	Own-Str
ELS	1																													
ELW1	.768**	1																												
ELW2	.702**	.787**	1																											
ELW3	.648**	.685**	.749**	1																										
ELW4	.618**	.656**	.690**	.814**	1																									
ELW5	.677**	.690**	.738**	.789**	.744**	1																								
ELW6	.605**	.611**	.666**	.756**	.717**	.819**	1																							
ELW7	.591**	.596**	.670**	.765**	.701**	.773**	.799**	1																						
JS1	.525**	.533**	.463**	.417**	.385**	.460**	.414**	.367**	1																					
JS2	.523**	.502**	.446**	.414**	.383**	.458**	.403**	.380**	.887**	1																				
JS3	.420**	.355**	.363**	.345**	.286**	.344**	.289**	.320**	.704**	.768**	1																			
JS4	.491**	.504**	.417**	.380**	.353**	.409**	.374**	.350**	.864**	.829**	.807**	1																		
JS5	.456**	.462**	.397**	.355**	.327**	.393**	.359**	.346**	.839**	.869**	.791**	.904**	1																	
JS6	.474**	.486**	.442**	.374**	.343**	.393**	.340**	.355**	.796**	.775**	.686**	.795**	.832**	1																
JS7	.406**	.340**	.341**	.307**	.275**	.318**	.291**	.324**	.714**	.741**	.764**	.734**	.783**	.805**	1															
JS8	.322**	.264**	.262**	.274**	.239**	.280**	.219**	.243**	.636**	.648**	.709**	.623**	.674**	.680**	.803**	1														
JS9	.400**	.343**	.358**	.332**	.296**	.361**	.351**	.350**	.737**	.736**	.763**	.707**	.751**	.750**	.835**	.858**	1													
OCM1	.273**	.178**	.238**	.227**	.212**	.260**	.272**	.259**	.452**	.508**	.599**	.471**	.520**	.462**	.557**	.570**	.610**	1												
OCM2	.097	-.010	.100	.086	.084	.120*	.126*	.132**	.286**	.342**	.492**	.313**	.385**	.331**	.474**	.550**	.548**	.834**	1											
OCM3	.282**	.235**	.257**	.241**	.231**	.254**	.276**	.244**	.491**	.523**	.562**	.511**	.552**	.522**	.546**	.531**	.584**	.868**	.767**	1										
FP1	.375**	.288**	.300**	.227**	.154**	.267**	.227**	.203**	.312**	.309**	.326**	.279**	.299**	.303**	.281**	.287**	.318**	.308**	.193**	.292**	1									
FP2	.336**	.257**	.265**	.232**	.189**	.271**	.259**	.217**	.367**	.341**	.328**	.297**	.314**	.324**	.305**	.289**	.363**	.349**	.244**	.353**	.730**	1								
FP3	.115*	.051	.071	.066	-.005	.083	.046	.063	.219**	.211**	.313**	.198**	.215**	.217**	.228**	.311**	.313**	.359**	.351**	.332**	.541**	.644**	1							
FP4	.151**	.072	.083	.072	.032	.113*	.103*	.107*	.262**	.272**	.334**	.244**	.289**	.256**	.297**	.314**	.342**	.400**	.370**	.386**	.556**	.610**	.778**	1						

	ELS	ELW1	ELW2	ELW3	ELW4	ELW5	ELW6	ELW7	JS1	JS2	JS3	JS4	JS5	JS6	JS7	JS8	JS9	OCM1	OCM2	OCM3	FP1	FP2	FP3	FP4	FP5	FP6	FP7	GenCEO	Age CEO	Own-Str
FP5	.088	.001	.025	.089	.043	.094	.072	.100	.138**	.177**	.278**	.160**	.202**	.177**	.270**	.318**	.316**	.365**	.368**	.297**	.429**	.506**	.607**	.714**	1					
FP6	.176**	.073	.143**	.185**	.131*	.142**	.155**	.194**	.262**	.277**	.352**	.276**	.313**	.278**	.332**	.289**	.351**	.388**	.312**	.342**	.378**	.414**	.499**	.601**	.747**	1				
FP7	.208**	.156**	.160**	.183**	.162**	.179**	.166**	.194**	.387**	.392**	.355**	.393**	.414**	.403**	.405**	.331**	.377**	.416**	.299**	.401**	.293**	.414**	.429**	.549**	.542**	.668**	1			
Gender CEO	.032	-.020	-.039	-.086	-.064	-.096	-.059	-.074	-.021	-.007	.013	-.038	-.017	-.034	-.001	.010	-.027	.071	.112*	.057	.037	.006	.088	.091	.062	.051	.041	1		
Age CEO	-.137**	.176**	-.131*	-.122*	-.124*	-.136**	-.173**	-.141**	-.134**	-.084	-.051	-.139**	-.100	-.145**	-.076	-.055	-.048	.019	.042	-.044	.054	.038	.109*	.082	.105*	.041	-.053	.150**	1	
Own. Str.	.210**	.299**	.284**	.266**	.269**	.300**	.274**	.291**	.284**	.293**	.271**	.335**	.295**	.322**	.303**	.272**	.312**	.229**	.180**	.206**	.034	.085	.010	.043	.057	.163**	.193**	-.097	-.138**	1

**. Correlation is significant at the 0.01 level (2-tailed).
*. Correlation is significant at the 0.05 level (2-tailed).
*p<0.05; **p<0.01.

4.3 Hierarchical regression analysis

Hierarchical multiple regression analysis was used to determine the predictive effect of the CEO's gender and age as well as the ownership structure of the company, and the predictive effect of the ethical leadership dimensions (independent variables) on the dimensions of job satisfaction, the organizational commitment dimensions and the financial performance items (dependent variables). The results of the hierarchical regression analysis are shown in Table 3.

We first ran a model in which we only included the control variables (the gender of the CEO, the age of the CEO and the ownership structure of the company). This model significantly ($p < 0.5$) explains all of the dependent variables, except: FP1- FP5. In the first model, the CEO's gender is not a significant predictor, nor is the CEO's age, which is a significant predictor only for FP5. The ownership structure of the company is a significant predictor for all the variables except: FP1 and FP5. The second model included the independent variables ELS and ELW1 – ELW7. By introducing these independent variables, there was a statistically significant change in all the dependent variables, except for FP3, FP4, FP5 and FP7, where Fch was not statistically significant.

Seen in the context of model 2 (here the independent variables and dimensions of ethical behavior of leaders were included) the corrected determination indexes R^2 have values within the range of 0.053 to 0.344. JS1 – pay (0.344), JS2 – promotion (0.329), JS4 – fringe benefits (0.324) and JS6 – operating procedure (0.303) have the highest R^2 values. The most notably predictive effect of the independent variables is on these dependent variables. The lowest R^2 values (but statistically significant) were recorded for FP3 – market share (0.053), FP5 – competitive status (0.055), and FP4 – sales growth (0.057).

Table 3 Hierarchical regression analysis (Dependent Variable: JS dimensions, OCM dimensions, FP items, Predictors: Gender of CEO, Age of CEO, Ownership Structure of Company and EL dimensions)

Model		JS1		JS2		JS3		JS4		JS5		JS6		JS7		JS8		JS9	
		B	Beta	B	Beta	B	Beta	B	Beta	B	Beta	B	Beta	B	Beta	B	Beta	B	Beta
1	Control variables	3.585		3.369		3.475		3.446		3.432		3.659		3.491		3.469		3.380	
	Gender CEO	.073	.020	.103	.028	.148	.042	.030	.008	.078	.020	.041	.011	.117	.033	.137	.040	.014	.004
	Age CEO	-.245	-.099*	-.123	-.048	-.046	-.019	-.250	-.095	-.167	-.063	-.259	-.104*	-.094	-.039	-.054	-.023	-.014	-.006
	Own. Str.	.614	.272**	.674	.289**	.600	.272**	.778	.323**	.700	.288**	.706	.309**	.663	.300**	.591	.273**	.685	.312**
	R^2	.090		.089		.075		.121		.091		.114		.094		.076		.098	
	F	12.384**		12.210**		10.181**		17.244**		12.515**		16.130**		12.973**		10.303**		13.567**	
2	Independent variables	.809		.517		1.400		.876		.939		1.322		1.615		1.991		1.383	
	Gender CEO	-.009	-.003	.025	.007	.095	.027	-.072	-.019	-.008	-.002	-.044	-.012	.040	.011	.114	.033	-.045	-.013
	Age CEO	-.062	-.025	.052	.020	.049	.020	-.071	-.027	.004	.001	-.112	-.045	.007	.003	.000	.000	.102	.043
	Own. Str.	.308	.136**	.370	.159**	.408	.185**	.497	.206**	.419	.172**	.441	.193**	.489	.221**	.467	.216**	.488	.222**
	ELS	.370	.266**	.444	.310**	.451	.332**	.403	.272**	.362	.242**	.352	.251**	.466	.343**	.358	.269**	.394	.292**
	ELW1	.291	.244**	.208	.170*	-.051	-.044	.335	.264**	.283	.221*	.232	.193*	-.046	-.040	-.079	-.069	-.061	-.053
	ELW2	.013	.011	-.010	-.008	.092	.077	-.052	-.040	-.013	-.009	.117	.095	.080	.067	-.011	-.009	.088	.074
	ELW3	.011	.009	.019	.015	.154	.131	.006	.004	-.030	-.023	-.001	-.001	.013	.011	.143	.124	.001	.001
	ELW4	-.073	-.067	-.065	-.058	-.115	-.108	-.073	-.063	-.089	-.076	-.069	-.063	-.070	-.066	-.037	-.036	-.089	-.084
	ELW5	.136	.106	.160	.121	.057	.046	.033	.024	.063	.046	.016	.012	-.035	-.028	.128	.104	.012	.010
	ELW6	.104	.090	.047	.039	-.104	-.092	.077	.062	.073	.058	-.061	-.052	-.038	-.033	-.131	-.117	.107	.095
	ELW7	-.110	-.101	-.043	-.038	.067	.063	-.040	-.034	.020	.017	.047	.043	.132	.123	.016	.015	.079	.074
	R^2	.344		.329		.225		.324		.271		.303		.222		.132		.231	
	R^2ch	.254		.240		.150		.203		.180		.189		.128		.081		.133	
	F ch	17.817**		16.492**		8.889**		13.798**		11.383**		12.513**		7.567**		4.444**		7.981**	
	F	17.544**		16.422**		9.708**		16.019**		12.446**		14.577**		9.536**		6.248**		10.054**	

Model		OCM1		OCM2		OCM3		FP1		FP2		FP3		FP4		FP5		FP6		FP7	
		B	Beta	B	Beta	B	Beta	B	Beta	B	Beta	B	Beta	B	Beta	B	Beta	B	Beta	B	Beta
1	Control variables	2.647		2.477		2.823		3.613		3.418		2.924		2.728		2.743		2.399		2.554	
	Gender CEO	.257	.089	.384	.123	.237	.081	.077	.033	.022	.008	.244	.076	.293	.086	.184	.053	.218	.060	.228	.065
	Age CEO	.078	.039	.108	.051	-.055	-.027	.088	.055	.094	.050	.225	.102	.182	.077	.256	.107*	.140	.056	-.086	-.036
	Own. Str.	.444	.243**	.389	.199**	.387	.210**	.065	.045	.160	.093	.064	.031	.133	.062	.168	.077	.405	.177**	.428	.194**
	R^2	.063		.052		.049		.006		.010		.018		.017		.019		.034		.042	
	F	8.397**		6.824**		6.489**		.724		1.249		2.306		2.136		2.417		4.429**		5.502*	
2	Independent variables	1.468		2.072		1.621		2.207		1.920		2.265		1.892		2.179		1.491		1.619	
	Gender CEO	.233	.080	.395	.127*	.202	.069	.017	.007	-.033	-.012	.236	.073	.262	.076	.207	.060	.210	.058	.212	.061
	Age CEO	.134	.068	.097	.045	.019	.010	.166	.105*	.182	.097	.242	.109*	.223	.095	.256	.108*	.159	.063	-.048	-.020
	Own. Str.	.345	.189**	.383	.196**	.268	.146**	-.057	-.039	.028	.016	.026	.013	.079	.037	.148	.068	.356	.155**	.349	.158**
	ELS	.285	.254**	.199	.165*	.217	.192*	.321	.358**	.325	.307**	.204	.164	.278	.210*	.220	.164	.331	.235**	.253	.187**
	ELW1	-.221	-.230*	-.401	-.389**	-.071	-.074	-.002	-.003	-.032	-.035	-.084	-.079	-.102	-.090	-.207	-.180	-.336	-.278**	-.099	-.085
	ELW2	.090	.090	.162	.152	.071	.071	.117	.148	.063	.067	.029	.027	-.012	-.011	-.119	-.101	.071	.057	-.040	-.033
	ELW3	-.027	-.028	-.046	-.044	-.008	-.008	.022	.028	.001	.001	.121	.111	-.013	-.011	.160	.137	.225	.184	.081	.069
	ELW4	-.027	-.031	-.005	-.006	-.004	-.005	-.171	-.245**	-.109	-.132	-.219	-.225*	-.170	-.164	-.104	-.099	-.086	-.078	-.017	-.016
	ELW5	.029	.028	.076	.068	-.038	-.037	.074	.090	.065	.067	.141	.123	.107	.088	.142	.115	-.121	-.093	.007	.005
	ELW6	.128	.137	.053	.053	.155	.164	.046	.062	.129	.146	-.053	-.051	.052	.046	-.051	-.045	.001	.001	-.047	-.041
	ELW7	.051	.057	.063	.066	-.002	-.002	-.034	-.048	-.048	-.057	.030	.030	.074	.071	.094	.088	.152	.137	.107	.100
	R^2	.147		.106		.121		.179		.136		.053		.057		.055		.097		.078	
	R^2 ch	.084		.054		.072		.174		.126		.035		.040		.036		.063		.036	
	F ch	4.547**		2.781**		3.761**		9.734**		6.695**		1.720		1.965		1.752		3.212**		1.790	
	F	5.770**		3.954**		4.609**		7.314**		5.251**		1.890*		2.024*		1.944*		3.601**		2.828**	

4.4 Professional respect as a moderator of the observed relations

The sample of N = 380 respondents was divided in half by the median into those with low LMX4 – professional respect (Low LMX4) and those with high LMX4 – professional respect (High LMX4). Thus, both groups have 190 respondents. The results of the correlation analysis of the ethical leadership dimensions and dimensions of job satisfaction, organizational commitment and financial performance items, especially for high professional respect (HLMX4) and low professional respect (LLMX4), are summarized in Table 4.

Table 4 Correlation coefficients between the EL dimensions and JS dimensions, OCM dimensions, FP items for HLMX4 and LLMX4

		JS1	JS2	JS3	JS4	JS5	JS6	JS7	JS8	JS9	OCM1	OCM2	OCM3	FP1	FP2	FP3	FP4	FP5	FP6	FP7
HLMX4	ELS	.224**	.258**	.193**	.229**	.198**	.172*	.186*	.199**	.245**	.211**	.198**	.217**	.041	.042	.011	-.043	-.046	.010	.029
	ELW1	.253**	.252**	.145*	.211**	.215**	.188**	.123	.177*	.239**	.167*	.142	.179*	-.077	-.039	-.035	-.088	-.056	-.068	-.029
	ELW2	.176*	.233**	.150*	.154*	.161*	.172*	.121	.151*	.223**	.203**	.176*	.202**	-.099	-.057	-.039	-.097	-.034	-.003	.021
	ELW3	.192**	.201**	.152*	.181*	.156*	.139	.112	.159*	.212**	.134	.116	.131	-.141	-.084	-.070	-.088	.050	.092	.094
	ELW4	.195**	.219**	.148*	.187**	.179*	.146*	.131	.153*	.210**	.172*	.135	.170*	-.174*	-.072	-.101	-.113	.003	.065	.088
	ELW5	.244**	.277**	.138	.179*	.179*	.172*	.138	.162*	.218**	.145*	.124	.156*	-.167*	-.043	-.084	-.109	.014	.019	.047
	ELW6	.185*	.213**	.139	.179*	.179*	.154*	.124	.144*	.236**	.135	.106	.136	-.121	-.044	-.103	-.123	.022	.080	.040
	ELW7	.178*	.216**	.152*	.170*	.187**	.205**	.167*	.200**	.271**	.135	.127	.141	-.119	-.047	-.055	-.057	.050	.122	.103
LLMX4	ELS	.581**	.571**	.507**	.552**	.496**	.520**	.452**	.375**	.444**	.301**	.080	.278**	.473**	.472**	.197**	.273**	.193**	.250**	.312**
	ELW1	.627**	.593**	.465**	.602**	.539**	.558**	.390**	.326**	.395**	.211**	-.032	.259**	.363**	.348**	.107	.160*	.033	.100	.230**
	ELW2	.543**	.504**	.474**	.494**	.458**	.504**	.400**	.316**	.409**	.299**	.131	.292**	.401**	.383**	.170*	.218**	.109	.208**	.250**
	ELW3	.456**	.444**	.428**	.423**	.375**	.409**	.324**	.311**	.367**	.270**	.098	.263**	.343**	.372**	.178*	.199**	.193**	.282**	.287**
	ELW4	.435**	.418**	.364**	.400**	.354**	.382**	.295**	.284**	.336**	.249**	.113	.259**	.281**	.328**	.087	.185*	.157*	.210**	.245**
	ELW5	.532**	.505**	.462**	.497**	.453**	.468**	.369**	.354**	.449**	.319**	.145*	.284**	.434**	.410**	.227**	.310**	.228**	.252**	.315**
	ELW6	.532**	.493**	.402**	.481**	.443**	.425**	.363**	.275**	.444**	.358**	.172*	.348**	.399**	.419**	.187**	.297**	.196**	.279**	.331**
	ELW7	.432**	.427**	.422**	.413**	.386**	.396**	.389**	.274**	.407**	.352**	.209**	.299**	.360**	.355**	.176*	.286**	.226**	.279**	.313**

*p<0.05; **p<0.01.

To test the moderating effect of professional respect hierarchical regression analysis was used. Hierarchical regression analysis examined the significance of the regression coefficient for the product predictor variables for the independent variable ELi and the dependent variable JSi, OCMi, FPi and the moderating variables of professional respect. The results of the hierarchical regression analysis (R-square and F change) are presented in Table 5, with only those results where the moderating effect was found- professional respect.

Table 5 Hierarchical regression analysis (R square and F-change) with LMX4 – professional respect as a moderator (only pairs where a moderating influence of LMX4 is confirmed)

Independent	Dependent	R square	F-change
ELS	JS1	.366	3.764
	JS3	.271	8.978
	FP1	.219	27.725
	FP2	.172	21.403
	FP3	.036	8.559
	FP4	.059	12.567
	FP5	.030	8.455
ELW1	JS1	.377	6.737
	JS2	.346	7.888
	JS3	.258	14.392
	JS4	.351	5.503
	JS5	.330	5.580
	JS6	.325	3.973
	JS7	.221	5.429
	JS8	.115	6.491
	FP1	.181	25.667
	FP2	.129	15.381
	FP3	.027	7.822
	FP4	.045	10.019
	FP5	.016	5.608
	FP7	.048	4.743
ELW2	JS1	.345	7.143
	JS3	.264	14.220
	JS4	.316	5.190
	JS5	.307	3.891
	JS7	.228	6.719
	JS8	.112	4.286
	FP1	.217	41.050
	FP2	.154	24.792
	FP3	.031	9.043
	FP4	.050	12.236
	FP5	.012	4.001
	FP6	.043	4.957

Independent	Dependent	R square	F-change
ELW3	JS1	.341	7.535
	JS2	.323	7.137
	JS3	.271	15.535
	JS4	.314	4.453
	JS5	.306	4.314
	JS6	.297	4.838
	JS7	.222	4.408
	JS8	.124	5.490
	JS9	.185	3.941
	OCM1	.090	5.184
	FP1	.252	67.157
	FP2	.193	46.437
	FP3	.058	20.016
	FP4	.067	19.245
	FP5	.028	7.763
	FP6	.059	6.860
ELW4	JS3	.237	4.194
	FP1	.196	39.576
	FP2	.151	29.068
	FP3	.030	8.236
	FP4	.054	16.630
	FP5	.026	9.293
ELW5	JS3	.253	6.691
	FP1	.257	65.433
	FP2	.177	33.141
	FP3	.058	19.102
	FP4	.087	26.449
	FP5	.034	9.848
	FP6	.050	7.274
ELW6	JS1	.352	6.457
	JS2	.326	3.951
	JS3	.248	7.797
	JS4	.324	4.299
	OCM1	.110	4.925
	OCM3	.129	4.160
	FP1	.222	48.076
	FP2	.191	39.677
	FP3	.057	19.555
	FP4	.093	29.157
	FP5	.027	8.563
	FP6	.054	7.296
	FP7	.058	6.341

Independent	Dependent	R square	F-change
ELW7	JS3	.259	9.969
	OCM1	.102	4.436
	FP1	.179	28.178
	FP2	.141	21.390
	FP3	.033	9.614
	FP4	.063	16.318
	FP6	.058	4.877

Tables 4 and 5 show that for a significant number of pairs there is a moderating effect of LMX4 – professional respect, on the relation between the ethical behavior of leaders and the observed effects. The moderating effect in this case has the following direction: low values for LMX4 – professional respect (Low LMX4) show a strong and positive impact of the dimensions of leaders' ethical behavior on the observed effects, while for high values for LMX4 – professional respect (High LMX4) this relation becomes weaker.

4.5 Confidence in the actions of management as a moderator of the observed relations

The sample of N = 380 respondents was divided in half by the median into those with high ITW4 – confidence in the actions of management (High ITW4) and those with low ITW4 – confidence in the actions of management (Low ITW4). Thus, both groups have 190 respondents. The results of the correlation analysis of the ethical leadership dimensions and dimensions of job satisfaction, organizational commitment and financial performance items, especially for high confidence in the actions of management (HITW4) and low confidence in the actions of management (LITW4), are shown in Table 6.

Table 6 Correlation coefficients between the EL dimensions and JS dimensions, OCM dimensions, FP items for HITW4 and LITW4

		JS1	JS2	JS3	JS4	JS5	JS6	JS7	JS8	JS9	OCM1	OCM2	OCM3	FP1	FP2	FP3	FP4	FP5	FP6	FP7
HITW4	ELS	.129	.131	.129	.041	.053	.061	.127	.144*	.110	.110	.080	.073	.021	-.032	-.055	-.088	-.056	-.081	-.057
	ELW1	.221**	.258**	.149*	.193**	.230**	.188**	.134	.148*	.162*	.072	.038	.087	-.085	-.088	-.141	-.147*	-.059	-.075	-.008
	ELW2	.135	.151*	.123	.093	.117	.094	.094	.133	.133	.134	.111	.131	-.061	-.068	-.028	-.119	-.009	.032	.066
	ELW3	.048	.071	.122	.026	.053	-.001	.054	.105	.095	.028	.019	.018	-.169*	-.125	-.079	-.100	.046	.078	.078
	ELW4	.105	.134	.121	.073	.102	.071	.059	.134	.137	.040	.010	.048	-.161*	-.101	-.106	-.120	-.014	.027	.058
	ELW5	.083	.120	.118	.015	.065	.059	.057	.125	.123	.136	.106	.115	-.189**	-.095	-.121	-.175*	-.016	.003	.039
	ELW6	.052	.047	.062	.022	.012	.015	.005	.049	.080	.116	.104	.114	-.146*	-.080	-.142*	-.159*	-.030	-.003	.020
	ELW7	.056	.080	.100	.044	.075	.096	.091	.135	.157*	.113	.091	.105	-.155*	-.107	-.071	-.103	.038	.083	.110
LITW4	ELS	.555**	.542**	.389**	.519**	.452**	.490**	.397**	.284**	.401**	.254**	.047	.301**	.412**	.453**	.141	.254**	.175*	.292**	.348**
	ELW1	.568**	.507**	.329**	.521**	.440**	.482**	.300**	.200**	.293**	.127	-.111	.218**	.369**	.381**	.110	.158*	.043	.150*	.221**
	ELW2	.499**	.466**	.333**	.415**	.385**	.472**	.327**	.206**	.361**	.175*	.003	.233**	.358**	.369**	.064	.137	.038	.173*	.190**
	ELW3	.474**	.450**	.307**	.397**	.350**	.421**	.290**	.231**	.341**	.224**	.028	.288**	.334**	.389**	.105	.153*	.155*	.250**	.251**
	ELW4	.377**	.353**	.214**	.330**	.277**	.315**	.208**	.159*	.251**	.167*	.010	.221**	.212**	.328**	.037	.122	.135	.220**	.242**
	ELW5	.490**	.469**	.299**	.435**	.397**	.394**	.270**	.220**	.361**	.220**	.040	.236**	.376**	.416**	.152*	.249**	.193**	.214**	.242**
	ELW6	.423**	.424**	.222**	.361**	.354**	.330**	.267**	.153*	.351**	.246**	.038	.257**	.296**	.385**	.058	.205**	.131	.221**	.233**
	ELW7	.401**	.418**	.295**	.355**	.340**	.363**	.332**	.186*	.361**	.215**	.056	.231**	.279**	.347**	.064	.200**	.144*	.256**	.245**

*p<0.05; **p<0.01.

To test the moderating effects of confidence in the actions of management hierarchical regression analysis was used. Hierarchical regression analysis examined the significance of the regression coefficient for the product predictor variables for the independent variable ELi and the dependent variable JSi, OCMi, FPi and the moderating variables of confidence in the actions of management. The results of the hierarchical regression analysis (R-square and F change) are presented in Table 7, with only those results where the moderating effect was found – confidence in the actions of management.

Table 7 Hierarchical regression analysis (R square and F-change) with ITW4 – confidence in the actions of management as a moderator (only pairs where a moderating influence of ITW4 is confirmed)

Independent	Dependent	R square	F-change
ELS	FP1	.266	17.275
	FP2	.220	21.333
	FP4	.092	9.110
	FP5	.043	8.595
	FP6	.097	11.419
	FP7	.068	4.541
ELW1	FP1	.261	17.872
	FP2	.202	15.455
	FP4	.095	8.545
	FP5	.040	4.649
	FP6	.089	6.005
ELW2	FP1	.246	10.393
	FP2	.195	12.307
	FP4	.091	6.653
ELW3	JS1	.340	6.667
	JS2	.328	6.396
	JS6	.309	4.889
	JS9	.264	4.283
	OCM3	.150	4.979
	FP1	.270	24.182
	FP2	.208	19.593
	FP4	.088	6.020
	FP5	.032	4.013
	FP6	.084	4.431
ELW4	FP1	.251	11.479
	FP2	.195	13.430
	FP3	.092	5.509
	FP4	.034	4.658
	FP5	.083	5.541

Independent	Dependent	R square	F-change
ELW5	FP1	.289	34.554
	FP2	.208	18.089
	FP3	.082	6.754
	FP4	.119	20.727
	FP5	.042	8.168
	FP6	.081	4.845
ELW6	JS1	.338	4.447
	JS2	.325	5.418
	JS9	.270	3.985
	FP1	.267	22.511
	FP2	.211	19.256
	FP3	.081	4.528
	FP4	.110	16.750
	FP5	.039	7.118
	FP6	.087	6.895
ELW7	JS1	.324	4.041
	JS2	.316	4.032
	JS7	.248	3.971
	FP1	.243	9.886
	FP2	.191	11.526
	FP4	.088	7.510

Tables 6 and 7 show that the moderating effect of ITW4 – confidence in the actions of management, on the relation of the ethical behavior of leaders and the observed effects occurs partially: it is strongly expressed in financial performance, while in job satisfaction and organizational commitment it is almost negligible. The moderating effect in this case has the following direction: with low values for ITW4 – confidence in the actions of management (Low ITW4) there is a strong and positive impact of the dimensions of the ethical behavior of leaders on the observed effects, while for high values for ITW4 – confidence in the actions of management (High LMX4 – professional respect) this relationship becomes weaker.

5 Discussion

The descriptive statistics (Table 1) show relatively high average scores for the dimensions of the ethical behavior of leaders, as well as high average scores for those of job satisfaction and organizational commitment. The average scores for financial performance are also slightly above average. This result is somewhat unexpected. The reason for this situation lies in the fact that the sample of 380 completed questionnaires mainly included successful companies in Serbia. This sample was not originally planned, however, because of the circumstances on the field, we received a slightly higher number of completed questionnaires from successful companies (about 75% of the completed questionnaires). We continued to work with such a sample because the main aim of this paper was to examine the relations between the observed dimensions, and not the state of the ob-

served dimensions. In other words, the results are related to the relations between the observed dimensions, so it is reasonable to assume that similar relations exist in all companies, regardless of their success. Thus, the results can be accepted with the limitation that they primarily apply to successful companies in Serbia.

It should be noted that although the ELW3 – power sharing dimension has a high average score, it is still the lowest among the ethical behavior of leaders dimensions. This is logical, having in mind that Serbia is a country characterized by high power distance organizational culture (Vukonjanski/Nikolić/Hadžić/Terek/Nedeljković 2012; Nikolić/Vukonjanski/Nedeljković/Hadžić/Terek 2014). Thus, this situation is also present in successful companies in terms of the relatively high ethical behavior of leaders.

In a situation where the average scores are high, it is useful to consider the lowest average scores. The lowest scores were gained by dimensions and items related to salaries (JS1 – pay from the dimensions of job satisfaction and FP7 – salaries from the financial performance items). Accordingly, the dimension OCM3 – organizational loyalty has the lowest average score from the dimensions of organizational commitment. All this is due to the low standard of living and low wages of employees in companies in Serbia, even when it comes to successful companies.

Based on the results given in Table 2 it can be seen that the ethical dimensions of leader behavior the ELS – Ethical Leadership Scale, as a general dimension, has the strongest correlation. From the dimensions of leaders' ethics in business, the strongest correlation was recorded for ELW3 – power sharing, and then ELW1 – people orientation and ELW2 – fairness. These are, therefore, the dimensions of ethical behavior of leaders that have the greatest impact on individual and organizational effects. It is obvious that the employees of the companies in Serbia appreciate the leader's readiness to share power the most, then his ability to listen and understand the employees, their needs and feelings, as well as fair and equitable access to work and dealing with people. At the same time, these are the dimensions of leaders' ethics at work that have the greatest impact on the observed individual and organizational effects. Similarly, the absence of, or somewhat lower value of these dimensions of leaders ethics in business has an extremely negative impact on the observed performances. Other dimensions of leaders' ethics have a slightly lower correlation, at least the dimension ELW4 – concern for sustainability. These dimensions are valued lower by the employees, and leaders' possible gaps or weaknesses in elements such as providing ethical guidelines, clarifying roles, the personal integrity of leaders, and especially lack of concern for the environment, will have not much impact on the employees, their job satisfaction and organizational commitment. This can be interpreted as the result of the employees' somewhat lower awareness of the importance of

ethical standards and environmental protection. By assigning importance to the dimensions such as: ELW3 – power sharing, ELW1 – people orientation and ELW2 – fairness, employees show that they are simply and primarily focused on themselves, their concerns and interests. Leaders who comply with these dimensions will be good for them and this will have a positive impact on the observed performances.

All correlations were statistically significant and positive among the dimensions of ethical behavior of leaders and those of job satisfaction (Table 2). This result is consistent with the results of existing studies, for example (Yates 2014; Ghahroodi et al. 2013; Kim/Brymer 2011; Kalshoven et al. 2011), where these researches use job satisfaction as one dimension. In this paper, from the dimensions of job satisfaction, JS1 – pay, then JS2 – promotion and JS4 – fringe benefits have the strongest correlation with the dimensions of ethical behavior of leaders. High ethical behavior of leaders, therefore, can contribute to greater satisfaction with pay, opportunities for advancement and additional privileges. Conversely, if the leader does not behave ethically, then this has a particularly harsh effect on the aforementioned dimensions of job satisfaction. Practically, if pay, opportunities for advancement and additional privileges are not at a particularly high level, then the ethical behavior of a leader can help greatly in creating a better feeling and more positive experience of these problems among employees. Generally, if a leader behaves ethically, then many problems are easier to manage and can be better understood.

Among the ethical behavior of leaders dimensions and those of organizational commitment, the correlations are statistically significant and positive for two dimensions: OCM3 – organizational loyalty (the strongest correlation) and OCM1 – organizational identification, while for the dimension OCM2 – organizational involvement the correlations are actually quite poor. As stated in the introduction, current research studies suggest that the level of leaders' ethics has an impact on the organizational commitment of employees, or some dimensions of organizational commitment (Yates 2014; Ghahroodi et al. 2013; Kim/Brymer 2011; Zhu et al. 2004; Kalshoven et al. 2011). Similarly, according to Watson (2010), an employee's perception of a leader's ethical values has the potential to impact the employee's level of organizational commitment. So, it can be stated that the result obtained in this paper are in accordance with existing research and the explanation for this is given below. Ethical leadership behavior contributes significantly to the loyalty of the employees in a company, as well as to developing a sense of belonging and pride among the employees that work in a company. The ethical behavior of a leader empowers employees to overcome difficult periods, they gain the confidence that the situation will be better in the company, they are motivated to stay and are proud of their company. Conversely, if a leader acts unethically, the greater the chances are that the employees will leave the company; they lose motivation as well as the sense of pride in their company.

Leaders, therefore, significantly affect the very sensitive and complex dimensions of organizational commitment with their behavior.

For the dimension OCM2 – organizational involvement the situation is different. As stated, this dimension achieves weak correlations with those of the ethical behavior of leaders. This result is quite different from the results of other studies. For example, in the reference (Hannah/Jennings/Bluhm/Peng/Schaubroeck 2014), it is stated that duty orientation is positively related to ethical and transformational leadership. Similarly, research studies (Engelbrecht/Gardielle/Bright 2014; Engelbrecht/Gardielle/Bright 2015), indicated positive relationships between ethical leadership and work engagement, as well as between ethical leadership and trust in the leader. Bello (2012) indicates that there is an impact of ethical leadership on employee job performance, where we can assume that good job performance cannot be achieved without a significant degree of organizational involvement. The weak correlations for OCM2 – organizational involvement, in Serbian companies, can be interpreted as follows: employees in companies in Serbia, regardless of the possible high ethics of their leaders and their allegiance to the company and their pride in it, are not necessarily willing to make additional efforts in the workplace or to make sacrifices for the company. Practically, although one can expect the employees in companies in Serbia to be proud of their company and to be loyal, that does not necessarily mean that they are ready or willing to work beyond their normal duties, keeping in mind the welfare and progress of the company! The causes of this situation should be sought in the particular dimensions of organizational culture in Serbian companies: low orientation toward the future and a high degree of collectivism indicate that employees are passive and wait for the community to take responsibility for their problems and needs (Vukonjanski et al. 2012; Nikolić et al. 2014). In other words, the thinking of the employees often goes in the following direction: we are proud of the company and we will be loyal to it, but in return, don't expect us to invest additional efforts, isn't the top management in charge of solving all our problems!? In addition, the ethical behavior of leaders and greater understanding of people can lead to a degree of relaxation and low involvement on the part of employees in business. What can encourage employees to higher levels of commitment are some of the dimensions of leaders' ethics at work: first of all ELW7 – integrity, and then ELW6 – role clarification. These dimensions have a positive correlation with the dimension OCM2 – organizational involvement. Thus, only the personal integrity of the leader and his/her clear, precise and fair division of roles and tasks can contribute to higher motivation to work, increased staff engagement and willingness to work for the benefit of the company.

Overall, we can say that the results of previous studies clearly confirm the impact of ethical leader behavior on job satisfaction and organizational commitment. For example, according to (Tahernejad/Ghorban/Ariffin/Babaei 2015),

ethical leadership is positively and significantly related to both job satisfaction and organizational commitment among middle managers. The reference (Neubert/Carlson/Kacmar/Roberts/Chonko 2009), points out that the relationship between ethical leadership and job satisfaction and organizational commitment may be stronger in highly ethical organizational cultures. Since there is talk about the possible reinforcement of this impact, it can be concluded that it can be strong or just stronger. In addition, some authors point out the positive impact of an ethical climate in organizations. According to (Yener/Yaldıran/Ergun 2012), work engagement is positively and significantly related to ethical climate. The perception of a positive ethical climate is positively associated with salespeople's job satisfaction and organizational commitment (Schwepker Jr. 2001). Similarly, an ethical work climate influences marketing employees' job attitudes and job behaviors (Deconinck 2010). Also, the facets of an ethical work climate can directly affect salespersons' job attitudes and outcomes, such as: organizational identification, supervisory trust, and organizational commitment (Deconinck 2011). The results obtained in this paper related to the impact of ethical leader behavior on job satisfaction and organizational commitment for the most part agree with the results of existing research. The exception is the dimension OCM2 – organizational involvement, as discussed above.

The influence of the ethical behavior of leaders on financial performance is partial: ethical leadership behavior has an impact on some individual financial performances, while on others it has none. Research studies in this area are not numerous, but the results suggest that ethical leadership significantly influences economic indicators (Chun et al. 2013; Žemgulienė 2013; Shin et al. 2014). In this paper, FP1 – productivity and FP2 – profitability have the strongest correlations, while there are almost no correlations for the following financial performances: FP3 – market share, FP5 – competitive status and FP4 – sales growth. The ethical behavior of leaders encourages employees to be more productive, thereby increasing profitability. While the staff will not, under the influence of the positive ethical behavior of leaders, do their best to stand out and make sacrifices for the benefit of the companies they work in, that does not mean that such leader behavior will not motivate them to be efficient and productive in their regular work assignments. The ethical behavior of leaders has almost no impact on the following financial performances: market share, competitive status and sales growth. These financial performances are influenced by numerous internal and external factors, so the ethical behavior of leaders alone can hardly lead to the significant and direct improvement of financial performance. It is interesting to note that there are much stronger correlations in dimension JS1 – pay than for FP7 – salaries. Salary and satisfaction with salary are not the same thing: one’s salary is a fact while satisfaction with one’s salary is a subjective feeling. A leader’s ethical behavior cannot physically increase the salary, but can lead to increased satisfaction with salary. The way in which ethical leadership

behavior affects different effects is clear: the creation of increased employee satisfaction, better understanding and acceptance of the present circumstances.

The general conclusion of the correlation analysis is as follows: the ethical behavior of leaders has a greater positive impact on individual effects rather than on organizational effects, which was expected. More specifically, the ethical behavior of leaders has a stronger correlation with the dimensions of job satisfaction, and a lower correlation with those of organizational commitment and financial performance. The ethical behavior of leaders has a particularly weak correlation with the dimension of OCM2 – organizational involvement and several financial performance items. As noted, in the companies in Serbia, ethical leadership behavior leads to job satisfaction, but it is not enough to motivate people to invest more effort and greater involvement, or to improve the financial performance of those that are under the greater influence of external market factors. Also, high ethical leadership behavior can cause the relaxation of employees, which leads to low organizational involvement, and hence to a drop in the organization's financial performance.

The hierarchical regression analysis (Table 3, Model 2) clearly shows that the dimension ELS – the Ethical Leadership Scale, as a general dimension, demonstrates the strongest predictive effect of all the independent variables. These results are entirely consistent with the results of the correlation analysis. In addition to the dimension ELS – the Ethical Leadership Scale, a statistically significant predictive effect is also shown for the dimension ELW1 – people orientation. This dimension, to a significant extent, represents the essence of the ethical behavior of leaders: people orientation is always the starting and end point in the ethical behavior of leaders. If the leader is focused on people, then it is likely that he/she will act fairly and honestly, he/she will be able to reduce the power distance, and he /she will work on his/her integrity and similar. Employees directly feel the people orientation dimension in their own case, or in that of their colleagues. Therefore, employees can often perceive and recognize people orientation as the most important indicator of the ethical behavior of leaders and think in the following way: if the leader takes care of people, then he/she is certainly ethical. This is supported by the fact that the ELS dimension – the Ethical Leadership Scale achieved the highest correlation of all the dimensions of ethical behavior of leaders with the dimension ELW1 – people orientation (Table 2). It can be concluded that the predictive effects take over dimensions of a general character, which represent the essence of the ethical behavior of leaders. It follows that, generally speaking, the ethical behavior of leaders has a predictive effect on these observed individual and organizational effects, as dependent variables (job satisfaction, organizational commitment and financial performance). These results are consistent with the results of some existing research studies. For example, according to (Brown et al. 2005), ethical leadership predicts outcomes such as perceived effectiveness of leaders, followers' job satisfaction and

dedication, and their willingness to report problems to the management. A survey of Taiwanese hotel employees showed that an ethical context was a significant predictor of job satisfaction and turnover intention (Cheng/Yang/Wan Chu 2013).

It is interesting to note that the ELW1 dimension – people orientation has a positive effect on the individual dimensions of job satisfaction, and a negative effect on certain dimensions of organizational commitment (especially OCM2 – organizational involvement, and then on OCM1 – organizational identification) and FP6 – asset growth. As mentioned, people orientation is perhaps the best representative of the ethical behavior of leaders from the viewpoint of employees. Thus, the higher the people orientation is, the more satisfied employees are with work, but also more relaxed. Employees then constantly count on thier leader understanding them, supporting and showing feelings towards them. As a result, a decline in their involvement in the business ensues, perhaps also accompanied by abuse of their leader's goodwill and emotional approach. This fall in organizational involvement may also lead to the decline of certain financial performances. Here we come to the findings of the impact of the weaker ethical behavior of leaders on organizational commitment and financial performance, as discussed above. When it comes to FP6 – asset growth, it is further possible that those leaders who devote more attention to people, pay less attention to asset growth. What is more interesting is the fact that ELW4 – concern for sustainability has negative effects on FP1 – productivity and FP3 – market share. It seems that compliance with the principles of environmental standards and sustainable development can lead to a further slowdown in investment and production processes, but also to a decline in individual organizational effects.

Regardless of these few results, leaders cannot and must not give up on ethical behavior, especially as the ELS dimension – the Ethical Leadership Scale, as an indicator of the overall ethical conduct of leaders, shows positive effects on the vast majority of the observed variables, with no negative effects. It only takes a real dose of caution when it comes to human orientation: there should be people-orientation, as long as it does not lead to the excessive relaxation of employees.

Statistically significant values of the determination index R^2 appear for all the observed dependent variables. Based on these results, it can be concluded that there is a predictive effect of the ethical behavior of leaders on some of the observed dependent variables. The results of the hierarchical regression analysis are entirely consistent with the results of the correlation analysis, as discussed above.

Generally, the moderating effect of LMX4 – professional respect (Tables 4 and 5) can be explained as follows: the high expertise, knowledge and professional competence of the leader render the ethical behavior of the leader less important, and therefore, it has no impact on the observed effects. However, the lack of ex-

pertise, knowledge and professional skills of the leader causes the dissatisfaction of employees and in these circumstances any unethical behavior of the leader results in greater frustration and a decline in performance. In other words, professional respect for the leader can possibly replace unethical behavior, but a professionally incompetent leader has no right to behave in an unethical way, it is unethical behavior that cannot be forgiven. Simply put, High LMX4 – professional respect creates the conditions in which the ethical behavior of leaders may or may not lead to good organizational and business performance, but low LMX4 – professional respect often creates conditions in which such unethical behavior adversely affects performance. It is possible that in conditions of low LMX4 – professional respect, but at the same time highly ethical leader behavior, some sort of subjective reinforced solidarity with the leader and better understanding are achieved thus leading to greater job satisfaction and productivity as a result of additional motivation.

Generally, the moderating effect of ITW4 – confidence in the actions of management (Tables 6 and 7) here can be explained as follows: high confidence in the strategic operations of top management contributes to the situation where leaders' ethical behavior does not have any major significance and therefore no impact on the observed effects. The situation is therefore similar to the previous moderator (LMX4 – professional respect). Although the moderating effect of ITW4 – confidence in the actions of management is less intense, the correlations in Table 6 show a similar tendency as those for the previous moderator (LMX4 – professional respect). The reason why LMX4 – professional respect is a stronger moderator is probably because the employees recognize the incompetence of their leaders more easily than the strategic error of the management. The employees are competent to assess the expertise of their leaders. In addition, strategic actions are often unknown to the employees, and their consequences can sometimes be hard or slow to evaluate.

The moderating effect of the observed moderator was more accentuated for organizational than individual effects. The explanation should be sought in the nature of the moderator. In most cases, companies with non-specialist leaders and poor strategic action from the top management already have weak financial performance. If in such circumstances the leadership behavior is also contrary to ethical principles, it is certain that this will lead to the further dramatic decline of otherwise weak financial performance. On the other hand, if, in spite of the incompetence of the leaders and poor strategic functioning of top management, the company achieves a solid financial performance, the reason for that may be just the high ethics of the leaders (this indicates the high correlation between the ethical behavior of leaders and financial performance for Low LMX4 – professional respect in Table 4 and for Low ITW4 – confidence in the actions of management in Table 6). Thus, the ethical behavior of leaders is very important, and

can compensate for any professional (and perhaps other) weakness of leaders and poor strategic operation of the top management.

As noted above, the limitations of this research lie firstly in the fact that the results were mainly (about 75%) obtained in successful companies in Serbia. However, as the research is based on the examination of the relations between the observed dimensions, and not on an examination of the state of these dimensions, it can be assumed with significant probability that similar relationships exist in companies with lower levels of success. The results may also be relevant for some transitional countries. In addition, a similar survey could be repeated in other countries, in different situations and at different times. All this would certainly contribute to the completion of the results for different conditions and subjects of research.

6 Conclusion

The dimensions of the ethical behavior of leaders that have the greatest impact on those of job satisfaction, organizational commitment and financial performance are: ELS – the Ethical Leadership Scale, as a general dimension, ELW3 – power sharing, ELW1 – people orientation and ELW2 – fairness. Employees in companies in Serbia particularly value the division of power, leaders' care about the feelings of employees and the fairness of leaders. Other dimensions that relate to providing ethical guidelines, clarifying roles, the personal integrity of leaders, and especially leaders' (lack of) concern for the environment are of less importance.

As regards the job satisfaction dimensions, the high ethical behavior of leaders contributes the most to greater satisfaction with pay, opportunities for advancement and additional privileges. From the organizational commitment dimensions, high ethical leadership behavior contributes significantly to the loyalty of employees to their company, as well as to developing a sense of belonging and pride among the employees who work in that company. However, despite the high ethics of their leaders, employees in companies in Serbia are often unwilling to work hard enough and do their best for the benefit of the company. This can only be achieved if the leader has strong personal integrity which will persuade employees to engage more through the clear and equitable division of tasks. When it comes to the financial performance items, the highly ethical behavior of leaders contributes most to greater productivity and profitability, and the least to market share, competitive status and sales growth. The correlation analysis showed that ethical leadership behavior has a more positive impact on individual effects than on organizational effects. This can be considered as the first of the two most important conclusions of this work.

The predictive effect of the ethical behavior of leaders (independent variables) is most pronounced for the following observed dependent variables: JS1 – pay, JS2

– promotion, JS4 – fringe benefits and JS6 – operating procedure. The general conclusion of the regression analysis is that the ethical behavior of leaders has a predictive effect on the observed individual and organizational effects.

This part of the research results (those obtained for correlation and regression analysis) can be compared with those of previous, similar studies. The impact of ethical leadership on job satisfaction, organizational commitment and financial performance in companies in Serbia is positive and this is, in general, a result which is close to the results of relevant research studies in other countries. Greater differences exist only for one dimension of organizational commitment (OCM2 – organizational involvement).

Testing the moderating effect of LMX4 – professional respect has shown that in conditions of leaders' high competence and professional skills, the ethical behavior of leaders has no major impact on the observed performances. In contrast, in conditions of leaders' low skills and professional competencies, ethical leadership behavior has a much greater impact on the observed performances. Testing the moderate effect of ITW4 – confidence in the actions of management has shown that in conditions of high confidence in the strategic operation of top management, ethical leadership behavior has no major impact on the observed performances. In contrast, under conditions of low confidence in the strategic operation of top management, ethical leadership behavior has a much greater impact on the observed performances.

With both moderators, there is a similar line of action of moderation: adverse circumstances (reflected by leaders' low-skills, combined with poor strategic operation) create a climate in which employees have low tolerance for the potentially unethical behavior of their leaders. Then as a rule, low values for the ethical behavior of leaders dimension lead to low performance. In favorable circumstances, employees have greater tolerance for the unethical behavior of their leaders, so in these cases the correlations are much lower. The final conclusion is that ethical leadership can compensate for the lack of expertise and the strategic functioning of leaders, and vice versa: the unethical behavior of leaders can be compensated for by the high competence of leaders and by good strategic management. This result is of special importance because until now this theme has not been investigated. At the same time, in order to confirm the generality of this conclusion, it is necessary to carry out similar studies in other countries and under different conditions. LMX4 – professional respect is a stronger moderator than ITW4 – confidence in the actions of management. The line of action of the observed moderation can be considered as the second of the two most important conclusions in the paper.

High ethical behavior of leaders in companies is very important and has a positive impact on individual effects and organizational effects. This effect is achieved through qualitative and subjective categories such as: the creation of a

favorable climate in the company, the creation of good interpersonal relationships, achieving fairness in remuneration and the allocation of tasks, personality and respect for the feelings of employees, employee motivation based on personal example and the integrity of leaders, etc. In addition, the results show that the ethical behavior of a leader can compensate for the professional disadvantages of leaders, as well as the poor strategic functioning of top management. Finally, ethical leadership behavior contributes to the better understanding, easier managing and faster overcoming of various problems and adverse situations.

Based on the above mentioned, recommendations can be made and implemented for leaders (managers) of companies in Serbia: leaders should always behave in accordance with the principles of ethical leadership in every situation. This would certainly bring many benefits. It should be borne in mind that for achieving high economic indicators, just ethical leadership is not enough. However, without ethical leadership, excellent economic indicators will hardly be realized.

7 References

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