

The Impact of Ethical Leadership on Job Satisfaction and Employees Performance in the Saudi Market

Talhat Alhaiou, Sarah Aldayel*

Department of Management, College of Business Administration (CBA), King Saud University, Riyadh, Saudi Arabia
Email: Talhaiou@ksu.edu.sa, *Sarahs.aldayel@gmail.com

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Abstract

The research investigates the substantial impact of ethical leadership on job satisfaction and employee performance in Saudi Arabian organizations during the Vision 2030 transformation period. A workplace environment develops positively through ethical leadership which combines integrity with role modeling and ethical decision-making. These characteristics create effects that influence both employee conduct and organizational cultural development. Ethical leadership stands as a fundamental driver of sustainable development and workforce engagement because Saudi Arabia needs it to boost efficiency and transparency and accountability in both public and private sectors. A quantitative research design used structured electronic questionnaires to obtain data from 277 employees who worked in different sectors. The research demonstrates that ethical leadership produces substantial improvements in employee satisfaction which in turn leads to better employee performance. Ethical leadership impacts performance indirectly through its effect on job satisfaction which serves as a mediating variable. The mediating effect shows the need for organizations to build work environments which support ethics. The research divides ethical leadership into three separate elements which include integrity alongside role modeling and ethical decision-making. The three components of ethical leadership produce meaningful positive effects on job satisfaction. Through their display of integrity leaders build trust along with psychological safety while their ethical modeling helps reinforce positive work behaviors. Organizational job satisfaction and emotional commitment are strengthened through ethical decision-making which establishes transparency as well as justice and fairness. The evolving Saudi labor market needs ethical behaviors as practical leadership standards for performance evaluation. The research outcomes provide Saudi Arabia's HR departments and business leaders with practical advice for management. Business leaders together with HR departments

in Saudi Arabia should implement ethics-focused training alongside performance evaluations within their leadership development programs. Organizations which build their culture around fairness alongside integrity and ethical decision-making processes will develop motivated employees who remain highly engaged and productive. The practice of ethical leadership functions both as a moral obligation and as a strategic tool for achieving lasting sustainable business expansion. Empirical findings confirm ethical leadership enhances job satisfaction and performance. Developing trustworthy leaders is essential for promoting employee well-being and advancing Saudi Arabia's development goals.

Keywords

Ethical Leadership, Job Satisfaction, Employee Performance, Integrity, Role Modeling, Ethical Decision-Making

1. Introduction

Organizations achieve their success mainly through leadership which needs to be based on ethical principles. Ethical leadership demonstrates its character through integrity combined with fairness and accountability and principled decisions which serve both workers and the organizational community. Such leadership creates environments where staff members feel secure to express their ideas along with sharing concerns and fully participate in work activities. The leaders demonstrate moral leadership while establishing organizational systems which direct all workplace activities through fairness and accountability principles.

The Saudi Arabian nation has found ethical leadership more essential because of Vision 2030's national transformation agenda. This strategic framework sets an ambitious goal to transform the economy through diversification and to modernize public institutions while promoting innovation and human capital growth. The current organizational transition requires Saudi organizations to implement global best practices for governance transparency and human resource management. Organizations require ethical leadership as their core enabling factor to achieve their strategic objectives because it establishes cultures that support accountability alongside integrity and sustainable development values.

The literature shows that ethical leadership has a positive effect on employee outcomes yet research specifically about this relationship within Saudi Arabia's culturally distinct context remains limited. Research from global studies confirms ethical leadership creates positive outcomes in organizational performance and employee satisfaction while also leading to improved employee engagement yet few studies focus on Saudi organizations.

The research aims to analyze ethical leadership effects on job satisfaction and employee performance within Saudi Arabian organizations. The study investigates the way job satisfaction acts as a mediator between ethical leadership and its

effects on organizational outcomes. The research defines ethical leadership through three components which include integrity along with ethical role modeling and ethical decision-making. The research analyzes these dimensions to establish how each dimension affects employee perceptions of fairness along with motivation and productivity.

The research provides urgent insights to organizational leaders and HR professionals and policymakers who establish value-driven high-performance institutions. Organizations can create focused approaches to improve both staff welfare and operational success by understanding the specific ways ethical leadership influences employee satisfaction and performance. The study identifies essential leadership behaviors that organizations can teach through training to promote ethical conduct throughout their entire organization.

This research contributes academic knowledge alongside useful findings for leadership development programs and employee engagement initiatives and organizational culture transformation. The study helps Saudi Arabia achieve its long-term goal of establishing work environments which are both ethical and resilient and productive while supporting Vision 2030.

2. Literature Review

Academic research has shown rising interest in the connection between ethical leadership and job satisfaction and employee performance because of organizational ethics and human capital development trends. This section reviews essential previous research about each construct before analyzing how these studies help explain workplace leadership dynamics.

2.1. Ethical Leadership and Job Satisfaction

Leaders who demonstrate ethical behavior work to establish fair processes and transparent standards which guide their decision-making practices. [Brown and Treviño \(2006\)](#) established a basic framework which shows that ethical leadership creates positive work environments while boosting employee morale. The research by [Babalola et al. \(2021\)](#) proves that psychological safety increases when employees feel protected from negative outcomes under ethical leadership which results in higher satisfaction levels. According to [Nazir et al. \(2021\)](#) ethical leaders provide employees with autonomy and respect which directly affects job satisfaction. [Demirtas and Akdogan \(2015\)](#) discovered that leadership behaviors which create an ethical climate decrease employee turnover intention while strengthening affective commitment.

2.2. Ethical Leadership and Employee Performance

Multiple empirical studies demonstrate the connection between ethical leadership and performance. [Ng and Feldman \(2015\)](#) performed a meta-analysis which demonstrated that ethical leadership enhances job performance through its ability to promote positive conduct and motivational factors. According to [Nazir et al.](#)

(2021) employee empowerment leads to increased creativity and problem-solving abilities. According to [Shin and Kim \(2020\)](#) ethical leadership motivates employees to take proactive actions which drive high performance. [Babalola et al. \(2021\)](#) highlight trust as the fundamental factor which enables ethical leadership to produce actual performance improvements.

2.3. Job Satisfaction and Employee Performance

Content employees often exhibit higher levels of productivity, loyalty, and commitment. [Kim and Park \(2020\)](#) found that job satisfaction serves as a mediator in the link between ethical leadership and performance. [Mert \(2021\)](#) noted that employees who view leadership as fair and just experience greater satisfaction and achieve better performance.

2.4. Mediating Role of Job Satisfaction

Job satisfaction is not only an outcome but also a mechanism through which leadership affects performance. [Kim and Park \(2020\)](#) illustrated this mediating role clearly, arguing that satisfaction transforms ethical leadership into better individual and organizational results. [Bavik and Shao \(2020\)](#) supported this by showing that satisfied employees share knowledge more freely, contributing to organizational learning and output.

2.5. Integrity

Integrity stands as a fundamental pillar of ethical leadership. [Simons \(2002\)](#) discovered that behavioral integrity—consistency between statements and actions—enhances trust and satisfaction. [Dineen et al. \(2006\)](#) discovered that employees view leaders with high integrity as more credible, leading to lower absenteeism. [Palanski and Yammarino \(2009\)](#) emphasized integrity as a predictor of morale and performance. [Leroy et al. \(2012\)](#) found that integrity improves both individual and team outcomes.

2.6. Role Modeling

Leaders who serve as ethical role models set standards for behavior in the workplace. [Allen et al. \(2004\)](#) confirmed that role modeling contributes to mentorship and stronger workplace commitment. In professional environments such as healthcare, [Stenfors-Hayes et al.](#) demonstrated that role modeling increases learning and job satisfaction.

2.7. Ethical Decision-Making

Ethical decision-making is a practical application of leadership values. [Valentine and Barnett \(2003\)](#) and [Schwepker \(2001\)](#) found that ethical decision-making by leaders leads to greater job satisfaction and organizational loyalty. [Mert \(2021\)](#) supported this, noting that perceived ethical behavior leads to a more satisfied and engaged workforce. [Kim and Brymer \(2011\)](#) showed that ethical leaders empower

their teams, which leads to increased satisfaction and commitment.

3. Research Methodology

3.1. Sample

The research examined employees in both the public and private sectors throughout the Kingdom of Saudi Arabia. The sample was chosen at random to guarantee representation among different demographic groups, including gender, age, educational level, and years of experience. A sum of 277 valid responses was gathered, indicating a suitable sample size for conducting regression and mediation analysis, as recommended in behavioral research.

3.2. Measures

The information was gathered using a uniform questionnaire that included two sections. The initial section comprised demographic factors including age, gender, education level, experience, and job industry. The second section assessed the primary study variables: ethical leadership, job satisfaction, and employee performance.

Ethical leadership was assessed using a 12-item scale covering integrity, role modeling, and ethical decision-making. Job satisfaction was measured through a 12-item scale addressing work environment, career growth, and job security. Employee performance was evaluated using 8 items reflecting productivity and commitment.

All items were rated on a five-point Likert-type scale ranging from “1 = strongly disagree” to “5 = strongly agree”, and were adapted to fit the Saudi work context.

Conceptual model and Hypotheses: (Figure 1)

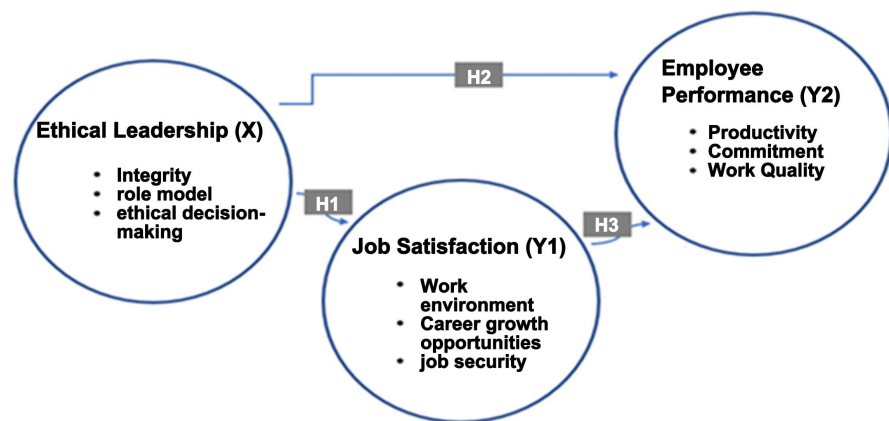


Figure 1. A Conceptual model.

3.3. Hypotheses

Based on the research problem and objectives, this study proposes the following hypotheses:

- **H1:** Ethical leadership has a positive impact on job satisfaction.

- **H2:** Ethical leadership has a positive impact on employee performance.
- **H3:** Job satisfaction has a positive impact on employee performance.
- **H4:** Job satisfaction mediates the relationship between ethical leadership and employee performance.
- **H5:** Integrity positively influences job satisfaction.
- **H6:** Role modelling positively influences job satisfaction.
- **H7:** Ethical decision-making positively influences job satisfaction.

3.4. Data Analysis

Data was cleaned, coded, and analyzed using Hayes' PROCESS Macro for SPSS. The following analyses were conducted:

Descriptive statistics to summarize demographic data and response trends.

Simple linear regression to test direct effects:

- Ethical Leadership → Job Satisfaction (H1)
- Ethical Leadership → Employee Performance (H2)
- Job Satisfaction → Employee Performance (H3)
- Mediation analysis using Model 4 of Hayes' PROCESS Macro to assess whether job satisfaction mediates the relationship between ethical leadership and employee performance (H4)
- Integrity → Job Satisfaction (H5)
- Role Modelling → Job Satisfaction (H6)
- Ethical Decision-Making → Job Satisfaction (H7)
- Bootstrapping with 5000 samples was used to test the significance of indirect effects (Mediation analysis).

Table 1. Demographic information.

| Demographic Variable | Options |
|----------------------|---|
| Gender | Male, Female |
| Age Group | 18 - 25, 26 - 35, 36 - 45, 46+ |
| Education Level | Diploma, Bachelor, Master, PhD |
| Experience | 0 - 2 years, 3 - 5 years, 6 - 10 years, 10+ years |
| Sector | Public, Private |

Table 2. Reliability analysis (Cronbach's Alpha).

| Construct | Cronbach's Alpha |
|----------------------|------------------|
| Ethical Leadership | 0.89 |
| Job Satisfaction | 0.86 |
| Employee Performance | 0.88 |

As shown in **Table 1**, the demographic variables include gender, age, education level, work experience, and employment sector. These indicators are essential for contextualizing the sample's diversity. Understanding the background of respond-

ents helps determine the representativeness of the study and ensures that conclusions drawn are relevant across various demographic segments in Saudi Arabia's workforce.

As shown in **Table 2**, Cronbach's alpha values for all constructs are above the acceptable threshold of 0.70, with Ethical Leadership (0.89), Job Satisfaction (0.86), and Employee Performance (0.88). These values confirm the internal consistency of the items within each scale, supporting the reliability of the instrument used in measuring latent constructions across the study.

Table 3. Model fit results.

| Model | R ² (Job Satisfaction) | R ² (Performance) | Significance |
|---|-----------------------------------|------------------------------|--------------|
| Ethical Leadership → Job Satisfaction → Performance | 0.4184 | 0.7456 | $p < 0.001$ |

As shown in **Table 3**, the mediation model produced strong explanatory power with R² values of 0.4184 for Job Satisfaction and 0.7456 for Employee Performance. These figures indicate that Ethical Leadership explains over 40% of the variation in Job Satisfaction and that the overall model accounts for nearly 75% of the variation in Performance. These results confirm that the model is highly effective and statistically significant ($p < 0.001$), validating its theoretical assumptions and empirical relevance.

4. Discussion and Conclusion

Limitations and Future Research

This study, while providing valuable insights into ethical leadership within the Saudi context, is not without limitations. First, it relied on self-reported data through questionnaires, which may be subject to common method bias or social desirability effects. Second, the cross-sectional design restricts causal interpretations; future research may benefit from longitudinal or experimental designs. Third, although the study used random sampling, the inclusion of more diverse industries or longitudinal data could improve generalizability. Finally, incorporating moderating variables such as organizational culture or leadership gender in future models could add theoretical depth.

The study confirms that ethical leadership significantly improves both job satisfaction and employee performance in Saudi organizations, supporting existing literature. All hypotheses were validated, aligning with prior research that emphasizes the positive impact of ethical leadership on organizational outcomes.

Firstly, ethical leadership—through its dimensions of integrity, role modeling, and ethical decision-making—was found to have a strong and positive influence on job satisfaction. This supports earlier findings by [Simons \(2002\)](#), who highlighted the importance of ethics in fostering trust, morale, and psychological safety at work, particularly relevant in Saudi Arabia's Vision 2030 transformation context.

Secondly, ethical leadership was shown to positively affect employee performance, consistent with studies by [Ng and Feldman \(2015\)](#) and [Babalola et al. \(2021\)](#), which link ethical leadership to increased motivation, productivity, and innovation. This suggests that integrity-based leadership is essential for improving organizational efficiency in Saudi institutions.

Thirdly, the study confirmed the mediating role of job satisfaction. Employees who perceive ethical behavior in their leaders report higher job satisfaction, which in turn boosts performance. This supports research by [Kim and Park \(2020\)](#), affirming job satisfaction as a critical link between leadership behavior and performance outcomes.

Additionally, each of the three leadership dimensions—integrity, role modeling, and ethical decision-making—had a direct positive impact on job satisfaction. Leaders who act fairly, consistently, and transparently foster a positive culture that encourages employee commitment and reduces turnover.

In conclusion, the findings provide empirical evidence for the importance of ethical leadership in the evolving Saudi business environment. The study demonstrates that:

- Ethical leadership directly improves job satisfaction and employee performance.
- Job satisfaction mediates the relationship between leadership and performance.
- Integrity, role modeling, and ethical decision-making are key to enhancing satisfaction.

These insights are valuable for managers and policymakers, suggesting that embedding ethical leadership into training and strategy can help build a motivated and high-performing workforce. Future research is encouraged to explore these relationships further through longitudinal or industry-specific studies.

Enhanced Managerial Implications

To better apply the study's findings, Saudi organizations should integrate 360-degree feedback tools in leadership evaluations to assess ethical conduct comprehensively. Key performance indicators (KPIs) tied to ethics, such as fairness in decision-making and employee trust scores, should be institutionalized. Moreover, HR departments are encouraged to implement sector-specific ethical training modules aligned with Vision 2030 objectives. For instance, public sector leaders may benefit from transparency-driven modules, while private firms could focus on accountability in competitive settings.

5. Managerial Implications

The research results present vital implications for Saudi Arabian managers and organizational leaders who operate within the business environment undergoing transformation under Vision 2030:

Organizations should integrate ethical leadership development into their fundamental management training programs. Organizations need to establish integ-

riety and transparency and role modeling behaviors across all leadership levels to develop a trustworthy positive work culture.

Human Resource departments need to establish connections between recruitment processes and performance evaluations and leadership development standards based on ethical principles. The evaluation process for potential leaders should include both ethical judgment and fairness assessment together with technical competency evaluation.

Organizations pursuing Vision 2030 objectives in Saudi Arabia can establish ethical leadership as their competitive advantage to enhance employee satisfaction and engagement and performance which are essential for achieving long-term transformation goals.

The organization should create conditions which support shared values and ethical norms while encouraging employees to practice ethical behaviors without needing direction from top management.

Conflicts of Interest

The authors declare no conflicts of interest regarding the publication of this paper.

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