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Responsible leadership an obstacle for turnover intention

Raheel Yasin, Sarah Obsequio Namoco, Junaimah Jauhar, Noor Fareen Abdul Rahim and Najam Ul Zia

Raheel Yasin is based at the Graduate School of Business, Universiti Sains Malaysia, George Town, Malaysia

Sarah Obsequio Namoco is based at the University of Science and Technology of Southern Philippines, Cagayan de Oro, Philippines

Junaimah Jauhar is based at the Center of Excellence for Continuous Education and Development, Universiti Sains Malaysia, George Town, Malaysia

Noor Fareen Abdul Rahim is based at the Graduate School of Business, Universiti Sains Malaysia, George Town, Malaysia

Najam Ul Zia is based at the Faculty of Management and Economics, Tomas Bata University, Zlín, Czech Republic

Corresponding author Raheel Yasin can be contacted at: raheelyasin@yahoo.com

Abstract

Purpose - The purpose of this paper is to investigate the extent to which ethical climate mediates between responsible leadership and employee turnover intention. **Design/methodology/approach** - This study used the deductive logic approach to develop hypotheses and analytical framework. Data were collected through convenience sampling technique from branch-level employees of the Bank of Punjab Pakistan working in Lahore, Gujranwala and Gujrat Region. Data were analyzed to test the hypotheses via descriptive analysis and structural equation modeling using SPSS and Smart PLS. **Findings** - Results confirmed a significant positive association between responsible leadership and ethical climate and a negative association between ethical climate and employee turnover intention. Furthermore, results also confirmed the mediating role of ethical climate between responsible leadership and turnover intention. **Practical implications** - This study enhances the existing literature regarding responsible leadership, ethical climate and turnover intention. It also helps professionals to review their policies. **Originality/value** - The theoretical contribution of this paper lies in exploring the relationship between responsible leadership and ethical climate. The current study empirically examined the mediating role of an ethical climate between responsible leadership and employee turnover. It contributes also to the literature regarding responsible leadership, ethical climate and turnover intention.

Keywords: Ethical climate, responsible leadership, employees, turnover intention paper type Research paper

Introduction

Ethical lapses by corporate leaders around the globe affect most of the organizations. To this end, the Panama Papers scandal raised multiple questions regarding the appositeness of leaders globally. Hence, the need for a concept of leadership that demonstrates concern about the business is imperative (**Pless and Maak, 2009**). Corporate leaders need to be evaluated constantly because

researchers claimed that there is a dire need of management ethics which, when not given appropriate importance, can subsequently cause economic crisis (**Waldman and Galvin, 2008**).

Established leadership descriptors such as transformational, charismatic, participative and ethical leadership have not clearly recognized the notion of responsibility (**Waldman and Galvin, 2008**). In the field of organizational behavior, the concept of responsible leadership has garnered attention (**Haque et al., 2019**). Demands on leaders are increasing to lead in a responsible way not only to business but also to all stakeholders. Leaders play a vital part in building an ethical climate in any organizations.

Organizational leaders have a strong influence on creating an ethical work climate (**Neubert et al., 2009**). Leaders play a dominant role in designing the moral framework of the organization. (**Otken and Cenkcı, 2012**). However, there has been an enlarged skepticism about the corporate executive's role in developing and implementing ethics in business. The prevalence of business scandals of the higher leadership warrants giving to corporate ethical policies and leaders' practices.

Corporate scandals and ethical lapses have raised questions about the basic concept of ethical climate, turnover intention and role of responsible leadership (**Fernando, 2016**). Today corporate image becomes critical, and corporate social responsibility (CSR) is now considered as organizational lifeblood (**Demirtas and Akdogan, 2015**). This raises the importance of managers who bestow significant influence in workplace environment. The manager's role and ethical behavior provide a moral foundation to staff members (**Mendonca, 2001**) and help in setting the shared atmosphere in an organization (**Wright and Goodstein, 2007**). Meanwhile, organizational moral framework depends on responsible leadership. It is therefore challenge for leadership to build an environment in organizations that affect employees and thereby reducing employee turnover.

Responsible leadership is the process of developing and sustaining positive contacts with all stakeholders (**Maak and Pless, 2006**). Thus, responsible leadership appears as an essential management discourse, and demands have raised for responsible leadership (**Antunes and Franco 2016**). In the primary stages of responsible leadership development, focal point was on conceptualizing and sightseeing individuals' values and ethical motivations.

Many scholars from the field of organizational behavior have investigated the impact of the leadership styles on employee outcomes. However, there is a paucity of research on how responsible leadership impact on behavioral outcomes of employees (**Haque et al., 2017**). Limited studies have empirically studied responsible leadership impact on employee and organizational outcomes. Previous studies have shown that responsible leadership is positively associated with employee's organizational commitment (**Miska and Mendenhall, 2018**). The current research focuses to address this issue, particularly from the viewpoint of Pakistani banking sector, because of corporate scandals that have arisen from leadership (**Business Recorder, 2009**).

The CSR theory states that there are three general obligations of organizations to society: economic, legal and ethical (**Stewart et al., 2011**). To fulfill the economic obligations, an organization must maximize profits and create job opportunities (**Schwartz and Carroll, 2003**). On the other hand, organizations follow the legal system of the country to fulfill the legal responsibility (**Jamali et al., 2008**). Finally, to satisfy the ethical responsibility, organizations follow the societal norms. The focus of this theory is that organizations support society by providing job opportunities while observing the legal system of a country and considering the ethical values set by the norms.

Consequently, the aim of this study is to examine the relationship between perceptions of employees regarding responsible leadership responses and ethical climate. This study also aims to investigate the level of impact of ethical climate toward employee's intention to leave the organization. Furthermore,

this study examines the mediating role of the ethical climate between responsible leadership and turnover intention. This research is designed to answer the following questions:

RQ1. Is there a significant relationship between responsible leadership and ethical climate?

RQ2. To what extent do ethical climate impact on turnover intention?

RQ3. Does ethical climate mediate the relationship between responsible leadership and turnover intention?

Responsible leadership

Responsible leaders try to make a strong relationship with the stakeholder (**Maak and Pless, 2006**). Responsible leadership gives importance to issues, such as moral decision-making, trust-building and sustainable development (**Pless and Maak, 2011**). According to **Groves (2011)**, responsible leadership affects employee's views about CSR and their determination to work for citizenship behaviors. The key role of responsible leadership is bringing employees satisfaction, reducing employee turnover and thereby building an ethical foundation has been proved empirically (**Voegtlin, 2011**).

In recent decades, this responsible leadership has sparked attention among researchers to establish how this leadership style impacts employees' behaviors. According to **Daily et al. (2009)**, organization citizenship behavior is a voluntary act by employees to improve the organizational environment. Literature further showed that leadership styles have a strong influence on corporate greening and employee's organizational citizenship behavior (**Lamm et al., 2013**).

Responsible leaders set core values and vision of the organization and draw a broader sketch of desirable social, human and sustainable aspects (**Kets de Vries et al., 2004**). This makes employees cautious about the sustainable development of the organization (**Zhao and Zhou, 2019**) and conveys a message to employees that sustainable values are the utmost priority because responsible leaders demonstrate an example and enhance awareness regarding responsibility in employees (**Yaffe and Kark, 2011**).

Responsible leaders take care of their employees, understand their needs and interest, focus on their personal growth, career expansion and make a caring working climate in their organizations which will increase the emotional attachment of employees with organization and employees sacrifice their time and energy for the implementation of sustainable policies (**Boiral et al., 2014**). A responsible leader also considers the stakeholder's interests by considering the organization's perspectives (**Voegtlin, 2011**).

Responsible leadership encourages organizations to work under the umbrella of CSR (**Castro-González et al., 2019**). These organizations follow the legal guidelines to make their profit and have strict working ethical and moral policies (**Kim et al., 2017**). It is useful for organizations if their employees have knowledge about ethical business and CSR. The concepts of ethical business and CSR are useful standards in their organizations during daily working activities (**Frangieh et al., 2017**).

Ethical climate

Ethical climate refers to the views of employees regarding their organization's policies, procedures, norms and values within an ethical context (**Schwepker, 2001**). It is also defined as the organization's working environment that exhibits the ethical implications of organizational policies and practices

(**Mulki et al., 2008**). Organizational practices within the moral consequences frame show the ethical working climate (**Martin and Cullen, 2006**).

Inside the organization, ethical climate plays multiple roles. It draws a guiding principle for the employees that what is accepted in their workplace and what is not. The ethical climate also directs employees regarding organizational ethical issues (**Moore, 2012**). It also serves as a manual that guides an organization in which direction they will move (**Martin and Cullen, 2006**) and what rules they will implement to attain the desired goals. The ethical climate provides a common insight into how issues can be addressed within the moral limits (**Parboteeah et al., 2010**). The ethical climate is dependent on the ethical behavior of leaders (**Demirtas and Akdogan, 2015**).

During identifying the dimensions of ethical climate, **Victor and Cullen (1988)** covered three dimensions of organizational analysis. These are the individual, cosmopolitan and local dimensions. These different tiers of dimensions are used by employees in decision-making. The individual level refers to personal beliefs, cosmopolitan level is linked to society at large and local level refers to the organization (**Mulki et al., 2008**).

Turnover intention

In the field of human resource management and organizational behavior, turnover is a significant subject as evident from a cluster of published studies (**Hom et al., 2017**). Employee turnover affects organizational decisions and pushes top executives to find the reasons for employee turnover (**Zhang et al., 2015**). There exists a prerequisite to conduct more research on employee turnover for a reason that business operations are affected by this phenomenon (**Memon et al., 2014**).

Employee turnover is a hidden cost to organizations. For decades, researchers and practitioners studying employee turnover now conclude that it is not only linked to the recruitment, training and development cost (**Allen et al., 2010**), but also linked with the cost of potential loss of knowledge, skills and general abilities (e.g. employee's social capital) of well-trained and experienced employees (**Nyberg and Ployhart, 2013**).

Turnover intention is the ancestor to employee turnover (**Iqbal et al., 2014**). Employee willingness to leave the organization permanently and voluntarily is considered as turnover intention (**Memon et al., 2014**). To reduce employee turnover, human resource managers should have a strong and deep understanding of the reason causing turnover intentions. Awareness of turnover intention signs makes it easy for human resource managers to address employee's concerns to control actual employee turnover, which helps to reduce expenses and improve customer service.

Relationship between responsible leadership and ethical climate

Responsible leaders are known for their moral principles and ethical values (**Freeman and Auster, 2011**). They play the role of coach, convey their team organization's actions regarding the environment and social matters and appreciate employees to actively participate (**Castro-Gonzalez et al., 2019**). Responsible leaders, while taking decision, take care of their followers and try to set a worth emulating example. A limited number of empirical studies show this relationship and there exists a gap in research about this relationship. Therefore, the first purpose of this research is to extend the research on leadership and ethical climate by examining the relationship between responsible leadership and ethical climate. Thus, the first proposed hypothesis of the current study is as follows:

H1. Responsible leadership has a significant positive correlation with an ethical climate.

Relationship between ethical climate and turnover intention

The study of **Demirtas and Akdogan (2015)** confirmed that ethical leadership plays a significant role in creating organizational ethical climate and that this ethical climate helped to reduce turnover intention. The study of **Rubel et al. (2017)** in the garment industry of Bangladesh confirmed that the ethical climate reduces the organization turnover intention which more likely increased the commitment level in the employees. Therefore, it is expected that the organizational ethical practices bring a sense of attachment in employees toward the organization. Turnover intention is considered as a predictor of actual turnover (**Cohen and Golan, 2007**). Based on these findings, it can be deduced that organizations reduce the actual turnover cost by discouraging behavior that encourages turnover intention (**Hughes et al., 2010**).

Researchers in different sectors, i.e. health, marketing and sales, have found a significant negative correlation between ethical climate and turnover intention (**Mulki et al., 2008**). The current study inspects an ethical climate as one of the reasons behind employees' intention to leave their organization. Previous researches showed that those employees who want an ethical climate prefer to stay in an organization. Therefore, the second hypothesis proposed for this study is as follows:

H2. Ethical climate has a significant negative relationship with employee's turnover intention.

Mediating role of ethical climate

Ethical climate in previous studies is discussed as a mediator regarding the employees and organizational performance. In the field of organizational behavior, ethical climate has been widely studied. The ethical climate was studied as a mediator in extant research. The study of **Sabiu et al. (2019)** confirmed the ethical climate as a mediator between performance appraisal and organizational performance. **Cheng and Wang (2015)** also confirmed the ethical climate as a mediator between paternalistic leadership and team identification.

Given the theoretical and extant empirical studies reviewed earlier, it is assumed that ethical climates mediate the relationship between responsible leadership and turnover intention in such a way that responsible leadership will be positively correlated to ethical climate, which in turn will reduce the turnover intention of employees. Thus, the third hypothesis of this study is as follows:

H3. Ethical climate mediates the relationship between responsible leadership and turnover intention.

Corporate social responsibility theory

The CSR theory states that organizations have economic, legal and ethical responsibilities to society (**Stewart et al., 2011**). Society expects from managers that they fulfill these three responsibilities (**Jamali et al., 2008**). To fulfill economic responsibilities, it is the duty of an organization to maximize its profits to provide more employment. This can be achieved if an organization increases its sales,

makes efforts to try to avoid litigation, creates more job opportunities by expanding the business and improves employee's morale and builds a good image of the organization in the mind of the public (**Schwartz and Carroll, 2003**).

Fulfilling legal responsibility means that organizations must follow the legal standards, quality standards and all other rules that are set by the government such as overtime, working hours, medical and leave policies (**Jamali et al., 2008**). Organizations must set and follow their ethical codes to fulfill their ethical responsibilities (**Schwartz and Carroll, 2003**) and build an image that the organization does not compromise on its ethical, moral and legal standards (**Jamali et al., 2008**).

Jamali et al. (2008) emphasized, while applying CSR theory to organizations, that researchers must focus on the stakeholder's point of view. The stakeholder's perspective covers a social exchange approach to CSR, directing that organizations are responsible to take care of their stakeholder's interests (**Simmons, 2004**). It is the organization's duty to focus on its social responsibilities to different stakeholders (employees, customers, community, etc.) (**Stewart et al., 2011**).

Conceptual Framework

This framework shows that ethical climates mediate the relationship between relationship leadership and employee turnover intention (**Figure 1**).

Research methodology

Nature of research

This research is quantitative in nature. The data are collected via exploratory and on interpretivism paradigm.

Sample characteristics

The sample of this study were employees working at branch level in the Bank of Punjab Pakistan, Lahore, Gujranwala and Gujrat Region.

Data collection methods

Data collection were done with the help of a convenience sampling technique. Data were collected from the bank employees working at branch level in the Lahore, Gujranwala and Gujrat region of The Bank of Punjab Pakistan. The researcher collected data through a convenience sampling technique. Each respondent completed a survey form which includes four sections. A total of 250 questionnaires were distributed and after four months, and 201 questionnaires were returned. However, out of 201, 168 questionnaires were deemed usable. Hence, the response rate of this study is 67.2% (**Table 1**) which is almost the same to the previous studies done in Pakistan.

Measures

The research instrument used in this study consisted of four sections. Section one consisted of question items related to demographic details of the respondents. Section two contained items related to responsible leadership; Section three contained items related to ethical climate; and Section four contained items related to turnover intention. Each item in the questionnaire is measured with a five-point Likert scale, with 1 indicated as strongly disagree, and 5 as strongly agree.

Responsible leadership

This was assessed using 14 items adapted from **Voegtlin (2011)**. Items used for responsible leadership are mentioned in the below list:

1. My supervisor interacts with customers.



Figure 1 Hypothesized model

Table 1 Response rate

<i>Activities</i>	<i>Frequency</i>	<i>(%)</i>
Distributed questionnaires	250	100
Returned questionnaires	201	80.4
Usable questionnaires	168	67.2
Unusable questionnaires	33	13.2

2. My supervisor interacts with employees.
3. My supervisor interacts with employees/management of joint venture.
4. My supervisor interacts with labor unions.
5. My supervisor interacts with local community representatives.
6. My supervisor interacts with employees/management of joint venture.
7. My supervisor interacts with non-governmental organizations (e.g. social or environmental activist groups), shareholders or investors, state institutions or regulatory authorities (this can reach from interactions with the government officials to interactions with the local city administration).
8. My supervisor interacts with suppliers.
9. My supervisor interacts with top management.

10. My supervisor demonstrates awareness of the relevant stakeholder claims.
11. My supervisor considers the consequences of decisions for the affected stakeholders.
12. My supervisor involves the affected stakeholders in the decision-making process.
13. My supervisor weighs different stakeholder claims before making a decision.
14. My supervisor tries to achieve a consensus among the affected stakeholders.

Ethical climate

This was assessed by using seven items adapted from **Schwepker (2001)**. Items used in the ethical climate are given in the below list:

1. The bank has a formal, written code of ethics.
2. The bank strictly enforces code of ethics.
3. The bank has policies with regards to ethical behavior.
4. The bank strictly enforces policies regarding ethical behavior.
5. If an employee in the bank is discovered to have engaged in unethical behavior that results in primarily personal gain (rather than corporate gain), he or she will be promptly reprimanded.
6. If an employee in the bank is discovered to have engaged in unethical behavior that results in primarily corporate gain (rather than personal gain), he or she will be promptly reprimanded.
7. Top management in the bank has let it be known that unethical behaviors will not be tolerated.

Turnover intention

Three items adapted from **Cole and Bruch (2006)** were used to measure turnover intention. Items used in the turnover intention are given in the below list:

1. I intend to look for a job outside of current bank within the next year.
2. I have no intention to remain indefinitely within this bank.
3. I often think about quitting my job.

Data analysis

For descriptive statistics, SPSS Version 23 and, for data analysis, Smart PLS version 3 were used. **Table 2** gives the demographic characteristics.

Common method bias

Data collection from a single source can cause common method biases (Podsakoff et al., 2003). To check the presence of common method bias, Harmon's single-factor test, as suggested by Podsakoff and Organ (1986), were performed. Results of the Harmon's single-factor test extracted 21 factors, and the largest variance explained by an individual factor was 37.89% which is less than 50%. This clearly showed that no single factor caused variance in the items.

Assessment of the measurement and structural models

The reliability and validity of the measurement items were determined for the assessment of the reflective measurement model. Two subtypes of validity, i.e. convergent and discriminant validity, are used to check the validity of the model (Hair et al., 2011).

Measurement model (Figure 2)

Construct validity. Factor analysis is used to confirm construct validity. A loading value of 0.5 is considered as cut-off (Hair et al., 2014). Those items that have a value less than 0.5 were deleted. Table 3 shows the loading of all our items which are above 0.5, as recommended by Hair et al. (2010). However, four items (RI7, RL14, EC5 and EC7) were dropped because their loading values are below 0.5.

Convergent validity. For the assessment of the reflective measurement model, we need to examine composite reliability and average variance extracted (AVE) (Hair et al., 2017). For composite reliability, loading values of 0.7 and 0.9 are found to be satisfactory in case of advanced research. However, the value should not exceed beyond 0.95 as it will suggest multicollinearity (Hair et al., 2011). All our items have composite reliability between 0.921 and 0.935 as shown in Table 4, which are greater than 0.7.

After composite reliability, values of AVE were used to check the convergent validity. AVE greater than or equal to 0.5 shows that a latent variable explains at least half of its indicator's variance (Hair et al., 2011). Results show that the AVE value of all constructs in this study were greater than 0.5, thereby satisfying the cut-off value of 0.5 as recommended by Hair et al. (2014) and Mayfield and Mayfield (2012) (refer to Table 4).

Table 2 Demographic characteristics

Demographic variable	Categories	n	(%)
Gender	Male	99	58.9
	Female	69	41.1
Education	Masters	62	36.9
	Bachelors	106	63.1
Age	20–30years	67	39.9
	31–40years	86	51.2
	41–50years	12	7.1
	Over 50 years	3	1.8
Experience	Less than 1 year	5	3.0
	5 years	100	59.5
	6–10 years	22	13.1
	11–15 years	30	17.9
Marital status	More than 15 years	11	6.5
	Single	66	39.3
	Married	102	60.7

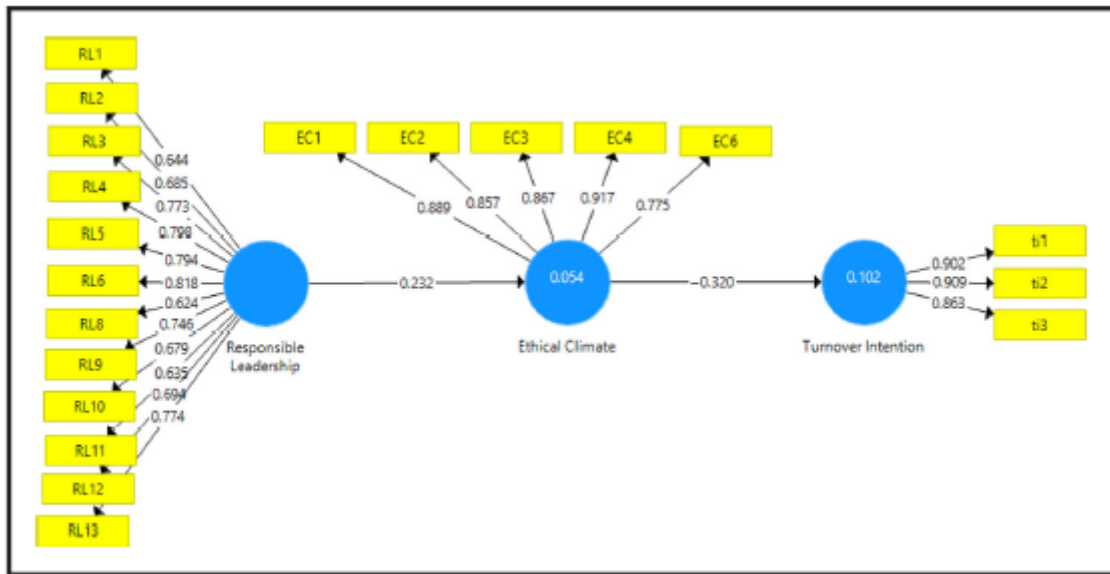


Figure 2 Measurement model

Table 3 Factors loading

<i>Constructs</i>	<i>Items</i>	<i>Factors loading</i>	<i>No of items deleted</i>
Responsible leadership	RL1	0.644	2
	RL2	0.685	
	RL3	0.773	
	RL4	0.798	
	RL5	0.794	
	RL6	0.818	
	RL8	0.624	
	RL9	0.746	
	RL10	0.679	
	RL11	0.635	
	RL12	0.694	
	RL13	0.774	
	Ethical climate	EC1	
EC2		0.857	
EC3		0.867	
EC4		0.917	
EC6		0.775	
EC6		0.775	
Turnover intention	TI1	0.902	None
	TI2	0.909	
	TI3	0.863	

Table 4 Composite reliability and average variance extracted (AVE)

<i>Constructs</i>	<i>Cronbach's alpha</i>	<i>Composite reliability</i>	<i>Average variance extracted (AVE)</i>
Ethical climate	0.914	0.935	0.743
Responsible leadership	0.918	0.930	0.526
Turnover intention	0.872	0.921	0.795

Notes: AVE = average variance extracted; CR = composite reliability; cut-off values: CR > 0.7; AVE > 0.5

Discriminant validity. Discriminate validity is used to check that scales which are used do not overlap. This shows that measurement items should be distinct and should not highly correlate. The variance of observed variables gets effected in the case of absence of discriminant validity. The criteria used to evaluate discriminant validity are cross loadings, Fornell and Larcker and Heterotrait-Monotrait ratio (HTMT). In this study, discriminant validity is measured by HTMT (Henseler et al., 2015). Henseler et al. (2015) suggested a value less than 0.9 in HTMT is acceptable (Table 5).

Structural model

To test the hypotheses of this study's, the structural equation modeling technique was used using Smart PLS version 3.2.8. SEM is able to test all hypotheses that include direct and indirect effects simultaneously, thereby reducing the probability of bias error. In addition, bootstrapping of 5,000 resamples with 95% confidence intervals, as recommended by Hayes (2013), was also conducted (Figure 3).

The direct effects results showed that responsible leadership is positively and significantly related to ethical climate ($t = 2.897, p < 0.05$). Therefore, H1 is supported. The ethical climate is found to be significantly negatively related to turnover ($t = 4.613, p < 0.05$); thus, H2 is accepted (refer Table 6). As

for the mediating effect, the bootstrapping results showed that the ethical climate mediates between responsible leadership and turnover intention ($t = 2.457, p < 0.05$). Thus, H3 is accepted (refer **Table 7**).

Table 5 Discriminant validity heterotrait-monotrait ratio (HTMT) criterion

Constructs	Ethical climate	Responsible leadership	Turnover intention
Ethical climate			
Responsible leadership	0.221		
Turnover intention	0.349	0.062	

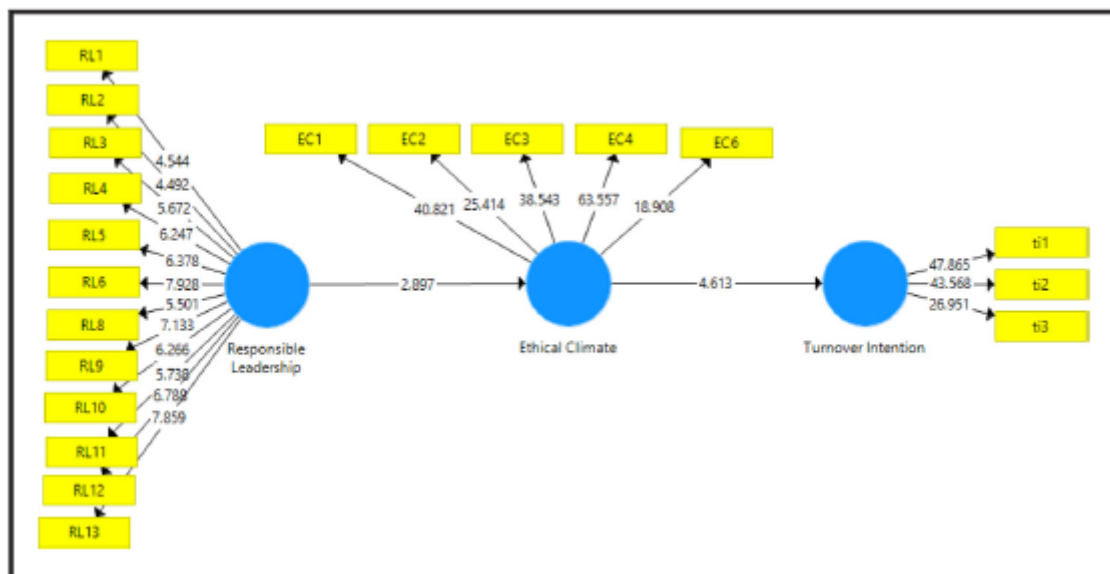


Figure 3 Structural model

Coefficient of determination (R^2)

The coefficient of determination (R^2) is also used to assess the structural model of the endogenous construct (Hair et al., 2014). An R^2 value of 0.25 shows small, 0.50 shows medium and 0.75 shows substantial effect (Hair et al., 2016) (Table 8). R^2 values of all the dependent constructs (EC and TI) are shown in Table 8. R^2 for dependent variable turnover intention is 10.2%. This indicated a small variance.

Assessment of effect size (f^2)

The f^2 tells the proportion of the unexplained variance as accounted for by R^2 (Hair et al., 2014). Cohen (1988) defines f^2 values of 0.02 as small, 0.15 as medium and 0.35 as substantial. Table 9 displays the effect sizes. The effect size values of 0.057 and 0.114 are considered as small effect size.

Assessment of predictive relevance

Q^2 test is used to access predictive relevance in the model. It is assessed through the blindfolding process. The results of cross-validated redundancy help to measure the acceptability of the model to

predict dependent variables. Rule of thumb defined by researcher is that model whose Q^2 values are greater than “0” has predictive relevance, and that model has the ability to define the relationship, whereas Q^2 value 0 and less than “0” shows that the model does not contain predictive influence (Geisser, 1974; Stone,1974). Table 10 shows an outstanding relevance of 0.069 for endogenous construct.

Table 6 Results of structural model

<i>Relationship</i>	<i>Original sample (O)</i>	<i>CI</i>	<i>t-Statistics (O/STDEV)</i>	<i>p-Values</i>
Ethical climate → Turnover intention	-0.320	-0.460, -0.185	4.613	0.000
Responsible leadership → Ethical climate	0.232	0.137, 0.401	2.897	0.004

Note: $p < 0.05$ (based on one-tailed test with 5,000 bootstrapping)

Table 7 Results of structural model (mediating effect)

<i>Relationship</i>	<i>Original sample (O)</i>	<i>CI</i>	<i>t-Statistics (O/STDEV)</i>	<i>p-Values</i>
Responsible leadership → Ethical climate → Turnover intention	-0.074	-0.122, 0.067	2.457	0.014

Note: $p < 0.05$ (based on two-tailed test with 5,000 bootstrapping)

Table 8 Variance explained in the indigenous variable latent constructs

<i>Relationship</i>	<i>Original sample (O)</i>	<i>CI</i>	<i>t-Statistics (O/STDEV)</i>	<i>p-Values</i>
Responsible leadership → Ethical climate → Turnover intention	-0.074	-0.122, 0.067	2.457	0.014

Note: $p < 0.05$ (based on two-tailed test with 5,000 bootstrapping)

Table 9 Assessment of the effect size, f^2

<i>Relationship</i>	f^2	<i>Effect size</i>
Ethical climate–Turnover intention	0.114	Small
Responsible leadership–Ethical climate	0.057	Small

Discussion and findings

One of the major goals of the organizations is to maximize the shareholder's wealth, which put a wide range of responsibilities to the corporate leaders. Today, organizations have realized that for sustainability, it is significant to establish an ethical climate working environment in the organization, whereas unethical behaviors affect organizational performance. The concepts of responsible leadership and ethical climate are considered to be important in the banking sector-like other service sectors and it is thought that responsible leadership in the banking sector has a strong impact on the

turnover of employees. From this viewpoint, revealing the mediating role of ethical climate between ethical leadership and the turnover of banking employees was studied.

The ethical climate is an important research subject for the finance sector because it affects customer organization relationships. Unethical behaviors in the banking sector damage the image of banks, reduce teamwork efficiency and increase turnover intention. As a result of the research, the conclusion is that responsible leadership has a positive correlation with the ethical climate in the banking sector of Pakistan. Moreover, it was concluded that ethical climate has a significant negative correlation with the turnover of employees.

Our study results confirmed the findings of the study done by **Schluter et al. (2008)** in the health sector in which ethical climate has a significant negative correlation with the turnover intention of employees. Another result of the research was that the ethical climate mediates between responsible leadership and turnover of employees in the banking sector of Pakistan. The same results were shown by the study of **Demirtas and Akdogan (2015)**.

Apart from the literature contribution relevant to finance discipline, the study also includes some restrictions. Because of the sampling being limited to the banking sector and to one bank, it is hard to make a general evaluation in the finance sector. On the other hand, the largeness of the banking sector in the country makes the findings hard to be evaluated. It is suggested that a wider range of sampling for future researches is required to provide a primary assessment feature for future researches.

The study inspected the correlation among responsible leadership and turnover intentions and the mediating role of ethical climate. The results determine the significance of studying responsible leadership from an employee perspective, and they disseminate and validate the literature on the relationships among responsible leadership, ethical climate and turnover intention in many ways. As predicted in H1, responsible leadership is significantly positively related with ethical climate. The positive relationship between responsible leadership and ethical climate concludes that responsible leadership creates an ethical climate and ethical climate helps to reduce employee turnover. These results confirmed the findings of **Doh et al. (2011)**, which exposed responsible leadership as a predominant construct that ties employees to the organization. The inherent relational nature of responsible leadership creates attraction in employees for leaders and organizations, thereby increasing the feeling of belongingness in employees. These feelings can lead to decrease employee turnover.

As predicted in H2, the ethical climate was negatively related to turnover intentions. To justify this negative relationship, we use psychological contract. **According to Raja et al. (2004)**, there exists a negative association between employees' relational contracts and intention to quit.

Table 10 Predictive relevance (Q^2)

<i>Constructs</i>	<i>SSO</i>	<i>SSE</i>	$Q^2 = 1 - SSO/SSE$
Turnover intention	504	469.438	0.069

The results confirmed previous studies that the damaged psychological contract is observed in withdrawal behaviors that often accompany intentions to leave (**Christian and Ellis, 2014**). The negative correlation among ethical climate and turnover intention explains the importance of ethical climate in an organization when studied from an employee viewpoint. This reveals that responsible

leadership builds strong association with employees, considers employees as organization's prime stakeholder and in response fascinates employees and reduces employees' intentions to leave an organization.

Finally, the results of H3 show that ethical climate plays a critical role in measuring responsible leadership effectiveness to reduce employee's turnover intention. These results extend conceptual claims of scholar that employee turnover intentions depend on the leadership style and ethical climate (**Lee et al., 2012**). The ethical climate was found as a mediator between responsible leadership and turnover intention.

Theoretical implications

The findings of current study have multiple theoretical implications. This study marks the first steps toward establishing responsible leadership at an organizational level construct by indicating that responsible leadership is positively associated with ethical climate, and that ethical climate mediates the relationship between responsible leadership and turnover intention. The current study augments the understanding of a responsible leader and its relationship with an employee outcome. This study makes a novel contribution to responsible leadership literature by considering responsible leadership and ethical climate through the lens of CSR. This study extends the CSR theory by focusing on the relational elements of psychological contract for employees and how responsible leadership can cope with the harm done to the relevant aspect of the psychological contract in its relational approach.

Furthermore, this study examined the mediating role of ethical climate between responsible leadership and turnover intention. Limited research has been conducted related to the integration of responsible leadership, ethical climate and turnover intention. More precisely, no research has explored the antecedents of responsible leadership and ethical climate toward turnover intention. It is an interesting finding that responsible leadership has a positive significant relationship toward ethical climate, and the relationship between responsible leadership and organizational commitment is mediated by ethical climate. In addition, this study delivers valuable evidence grounded on Pakistani context to researchers who conduct similar studies in different cultural contexts.

Practical implications

This study has numerous practical implications. First, the findings revealed that responsible leadership affects both ethical climate and employees' turnover intentions. Therefore, the study suggests that to motivate and engage employees, organizations should emphasize on responsible leadership capability-building of managers. To support managers to escalate the worth of responsible leadership practices, organizations should emphasize on specific training and development programs. Training helps to learn leadership behavior and support in the learning process (**Barling et al., 1996**). According to **Pless and Maak (2011)**, responsible leadership qualities without formal training can also be learned.

Leadership consultants could be hired to train managers regarding responsible leadership practices that develop superior HR practices, build a culture of positive stakeholder and deliver better management support (**Doh et al., 2011**). These efforts can effectively create an ethical climate in an organization and help to reduce turnover intentions.

Third, managers who aim to reduce employees' turnover intention focus on offering training workshops to improve responsible leadership behaviors. Thus, from the human resource's viewpoint,

responsible leadership can also be considered as an opportunity to step forward in managerial leadership, paying extra consideration to the ethical climate of organization and employee turnover intentions. Organizations may choose to revise existing leadership evaluation and development practices based on the dimensions facilitating the execution of responsible leadership roles.

Conclusion

Using CSR theory, this study reports on the relationship between responsible leadership and ethical climate, and ethical climate as a mediator between responsible leadership and turnover intention. Taking a different look from past studies that examined ethical leadership's impact on ethical climate, this study applies ethical climate as a mediator between responsible leadership and turnover intention. The results expose that perceived responsible leadership influences the ethical climate significantly. Moreover, the ethical climate mediates the relationship between responsible leadership and organizational commitment. Consequently, the findings of the study indicate that responsible leadership creates an ethical climate inside the organization and therefore reduces employee turnover intentions.

Limitation and future research directions

There exist some limitations in the current study that provide researchers opportunities for the future studies. However, the scope of this study is limited as it covers only the banking sector of Pakistan. This limitation is hard to overcome because of its practical nature due to its context-specific nature. A limited sampling frame is another limitation of this study. Because of the non-availability of the complete list of employees, it is impossible to collect a random sample. Moreover, this research studied and interviewed only branch-level employees and ignored the employees working at back-end offices such as area offices, regional offices and head office. This study just focuses on front-office employees who do not cover the views of employees of the whole banking industry of Pakistan. In addition to that, most of the respondents in this study were males, so the findings of this study represent the views of male employees which is also considered as one of the potential limitations of this study. To sum up, the study's goal is to test a relationship between responsible leadership and ethical climate, ethical climate and employee turnover and mediating role of ethical climate between responsible leadership and turnover. This type of study will be conducted in other sectors to test this relationship.

Studied relationships have been rarely investigated in Pakistan. This study provides evidence regarding the substantial effects of responsible leadership and its structural components in a developing country.

Future studies may use additional mediators (e.g. organizational commitment, organizational justice) to further enhance the hypothesized model that may add more precision to results of the study. For example, by adding organizational commitment as a mediator, researchers may study the extent that influence on responsible leadership can bring organizational commitment and which in turn may reduce intention to leave.

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