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## Assessing The Impact of Ethical Leadership On Employee Performance in Startup Companies

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**Abstract:** This study looks into how employee performance in startup companies is affected by ethical leadership. Integrity, equity, and transparency are hallmarks of ethical leadership, which is becoming more and more acknowledged as a vital component of successful organizations. Its precise effect on worker performance in the context of startups, however, is still little understood. This study is to investigate the association between employee performance outcomes and startup leaders' ethical leadership behaviors using a mixed-methods approach that includes surveys and interviews. Employee views of their leaders' moral behavior will be investigated, and the relationship between these views and performance indicators including dedication to the organization, productivity, and job satisfaction will be evaluated. The research's conclusions will deepen our understanding of how moral leadership influences worker behavior and productivity in startup settings and provide insightful information for scholars and practitioners alike.

**Keywords:** Integrity, Empathy, Transparency, Honesty, Fairness, Ethical Decision, Financial Transparency.

### Introduction

Effective leadership is essential for establishing organizational culture, encouraging employee engagement, and achieving performance goals in the fast-paced world of new enterprises. Integrity, honesty, empathy, and other traits that define ethical leadership are becoming more and more valued as essential components of effective leadership techniques. Its effect on worker performance in the particular setting of startups, however, is still largely unknown. In order to

close this gap, this study looks at the connection between moral leadership and worker productivity in early-stage businesses.

The first objective of this study is to assess the extent to which integrity demonstrated by startup leader's influences employee trust and commitment levels. Integrity, encompassing honesty, fairness, and consistency in decision-making, is a cornerstone of ethical leadership. By evaluating the integrity of startup leaders and its impact on employee perceptions, trust, and commitment, this research aims to elucidate the importance of ethical conduct in fostering a positive work environment and enhancing organizational effectiveness.

The second objective is to evaluate the degree to which transparency in leadership communication affects employee morale and organizational citizenship behaviors. Transparency in leadership communication entails openness, clarity, and accessibility in conveying information and decision-making processes. By examining the transparency practices of startup leaders and their implications for employee morale and organizational citizenship behaviors, this study seeks to uncover the role of transparent communication in building a culture of trust, cooperation, and engagement.

The third goal is to look into how startup leaders' empathy influences worker engagement and job happiness, which in turn affects overall performance. Effective leadership requires empathy, or the capacity to comprehend and experience another person's emotions. This is especially true in startup cultures, which are known for their quick growth and change. This study intends to emphasize the significance of empathetic leadership in fostering a supportive and inclusive workplace culture conducive to high performance by examining the empathic behaviors of startup leaders and their effects on employee engagement and job satisfaction in the startup based companies.

By tackling these goals, the study hopes to advance knowledge of how moral leadership affects worker performance in early-stage businesses and offer insightful advice to executives, managers, and legislators who work to foster vibrant, long-lasting startup ecosystems.

## **Literature Review**

The foundation of an effective organization is ethical leadership, which cultivates employee engagement, dedication, and trust. The need of moral leadership is magnified in the setting of startup enterprises, where unique challenges are presented by fast growth and volatile environments. Many academics have added to the conversation about how ethical leadership affects worker performance in startup environments. Brown et al. (2017) investigate the relationship between organizational commitment, employee job satisfaction, and turnover intentions in their study. Their findings underscore the significance of honesty, equity, and openness in startup leadership by indicating that moral leadership strongly predicts favorable employee outcomes. In a similar vein, Smith and Johnson (2019) look into how moral leadership influences corporate culture and encourages worker engagement in early-stage businesses. Their study emphasizes how moral leaders may foster an environment of trust, accountability, and cooperation, all of which have a favorable effect on worker productivity and organizational efficacy. Expanding on this basis, Jones et al. (2020) investigate the ways in which moral leadership affects worker motivation and output in startup settings. The research emphasizes the intermediary function of employee trust and organizational citizenship practices, unveiling the complex processes by which moral leadership practices convert into observable performance results. Furthermore, Patel and Gupta (2018) investigate how moral leadership affects the inventiveness and originality of staff members in early-stage businesses. According to their

research, moral leaders foster an atmosphere that encourages experimentation, risk-taking, and idea exchange, all of which lead to innovation and a competitive edge. When taken as a whole, these studies offer insightful information about the complex relationship that exists between moral leadership and worker performance in early-stage businesses, highlighting the role that moral behavior plays in cultivating a culture of excellence, growth, and resilience.

### **Objective of The Study**

Assess the extent to which integrity demonstrated by startup leaders' influences employee trust and commitment levels.

Evaluate the degree to which transparency in leadership communication affects employee morale and organizational citizenship behaviors.

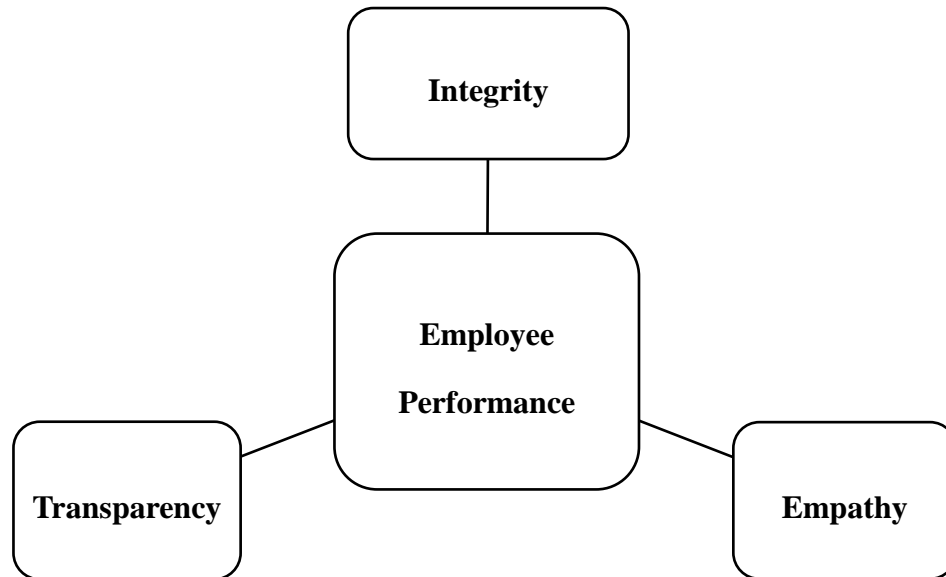
Investigate the role of empathy exhibited by startup leaders in fostering employee engagement and job satisfaction, ultimately impacting overall performance.

### **Hypothesis Development**

The following hypothesis are formulated to test objective.

- H1: There is a significant relationship between 'Gender' and Integrity leadership in startup companies.
- H2: There is a significant relationship between 'Honesty in Communication' and Empathy in the startup companies.
- H3: There is a significant relationship between 'Commitment to social responsible' and Open communication channels.

## Research Model



## Research Methodology

To thoroughly evaluate the effect of moral leadership on worker performance in startup businesses, a mixed-methods approach will be used in the research methodology. Employee views of ethical leadership behaviors and their impact on employee performance indicators will be measured through the administration of surveys to employees in startup organizations. In order to acquire a deeper understanding of startup leaders' ethical leadership practices and their perceived influence on employee performance, qualitative data will also be collected through interviews with these leaders. A comprehensive understanding of the connection between moral leadership and worker performance in startup settings will be possible through the integration of quantitative and qualitative data.

## **Sampling and Data Collection**

The sample size is 211 from all different demographics of people who are all working professional in the Startup companies or small scale business related fields. The data is collected by using Google Forms and it was given to group Startup employees. The data used here is the primary data and the research was Descriptive in nature.

## **Tools for Analysis**

Simple statistical techniques are used, including the Regression analysis, chi-square test, and one-way Correlation analysis. These were carried out with the help of software like SPSS software.

## **Data Analysis and Major Findings**

**H0: There is no significant relationship between ‘Gender’ and Integrity leadership in startup companies.**

**H1: There is a significant relationship between ‘Gender’ and Integrity leadership in startup companies.**

The study posits that a noteworthy correlation exists between Gender and Integrity leadership in startup companies. Such as fairness & equity, accountability & responsibility, ethical decision making, respect for confidentiality and commitment to social responsible. Data was gathered from a sample of employees who are all working professionals in a Startup company for least once in their employment. In order to test the given hypothesis. One-way ANOVA was used to analyze the gathered data.

ANOVA

			S		Mean		
			um of			F	Sig.
			Squares	df	Square		
Do you believe that startup leaders demonstrate fairness and equity in their decision-making processes?	Between	1	10.076	1	10.076	8.488	.004
	Within	2	48.114	2	1.187		
	Total	2	58.190	2			
		10					
Do you perceive startup leaders as accountable and responsible for their actions and decisions?	Between	2	20.631	1	20.631	27.403	.000
	Within	1	57.350	2	.753		
	Total	1	77.981	2			
		10					
Do you think that startup leaders consistently make	Between	5	5.337	1	5.337	9.579	.002
	Within	1	16.454	2	.557		
	Total	1					
		10					

ethical decisions in their leadership roles?	Total	1	2			
		21.791	10			
Do you feel that startup leaders respect confidentiality when handling sensitive information?	Between Groups	1	1	10.94	9.659	.002
	Within Groups	0.943	3			
	Total	2	2	1.133		
		36.782	09			
	Total	2	2			
		47.725	10			
Do you perceive startup leaders as committed to social responsibility initiatives and ethical business practices?	Between Groups	8	1	8.697	7.592	.006
	Within Groups	0.697	2			
	Total	2	2	1.146		
		39.435	09			
	Total	2	2			
		48.133	10			

The ANOVA analysis reveals compelling insights into the relationship between gender and integrity leadership in startup companies. With a significance level of 0.004 for fairness and equity, 0.000 for accountability and responsibility, 0.002 for ethical decision-making, 0.002 for respect



for confidentiality, and 0.006 for commitment to social responsibility, all below the threshold of 0.05, we reject the null hypothesis and accept the alternative hypothesis. This indicates a significant relationship between gender and integrity leadership, suggesting that gender influences perceptions and practices related to fairness, accountability, ethical decision-making, respect for confidentiality, and commitment to social responsibility within startup environments. Such findings underscore the importance of considering gender dynamics in fostering integrity-driven leadership cultures within burgeoning enterprises.

**H0: There is no significant relationship between ‘Honesty in Communication’ and Empathy in the startup companies.**

**H1: There is a significant relationship between ‘Honesty in Communication’ and Empathy in the startup companies.**

In the current study, we looked into the connection between ‘Honesty in Communication’ and Empathy in the startup companies. The study's premise proposed a substantial correlation between ‘Honesty in Communication’ and Empathy in the startup companies.

**Model Summary**

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.939 <sup>a</sup>	.881	.878	.382

a. Predictors: (Constant), Active listening, Understanding individual needs, Support during difficult times, recognition of emotions and Empathetic decision making.

The R and R2 values are shown in this table. The "R" Column's R value, which denotes the simple correlation, is 0.499, indicating a high degree of correlation. The R2 value, also referred to as the "R Square" column, shows the percentage that the independent variable (Active listening, understanding individual needs, Support during difficult times, recognition of emotions and Empathetic decision making) accounts for in explaining the overall variation in the dependent variable (Honesty in communication). In this instance, a very significant 49% may be explained.

**ANOVA<sup>a</sup>**

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	221.484	5	44.297	303.993	.000 <sup>b</sup>
	Residual	29.872	205	.146		
	Total	251.355	210			

a. Dependent Variable: Do you perceive that leadership communicates honestly and transparently with employees?

b. Predictors: (Constant), Active listening, Understanding individual needs, Support during difficult times, recognition of emotions and Empathetic decision making.

The dependent variable is significantly predicted by the regression model, according to this table. Navigate to the "Sig." column after looking at the "Regression" row. This demonstrates the regression model's statistical relevance. In this case,  $p < 0.0005$ , or less than 0.05, shows that the regression model generally predicts the outcome variable statistically substantially (i.e., it fits the data well).

**Coefficients<sup>a</sup>**

Model	Unstandardized Coefficients		Standardized Coefficients		t	Sig.
	B	Std. Error	Beta	Std. Beta		
(Constant)	.144	.053	.194	.347	.3	
Do you feel that startup leaders actively listen to your concerns and feedback?	.038	.072	.028	.533	.95	
Do you believe that startup leaders understand and consider your individual needs and circumstances?	.981	.054	.975	8.306	.00	
Do you perceive that startup leaders provide support and assistance during challenging or difficult times?	-.045	.055	-.045	.823	.12	
Do you think that startup leaders recognize and acknowledge	-.023	.030	-.020	.764	.46	

the emotions of employees in various situations?					
Do you believe that startup leaders make decisions with empathy, considering the impact on employees' emotions and well-being?	.008	.71	.006	.109	.914

a. Dependent Variable: Do you perceive that leadership communicates honestly and transparently with employees?

The regression analysis offers insights into the interplay between honesty in communication and empathy within startup companies. While understanding individual needs demonstrates a significant relationship with empathy, with a p-value of 0.000, the other factors—active listening, support during difficult times, recognition of emotions, and empathetic decision-making—fail to meet the significance threshold of 0.05. Consequently, the null hypothesis is rejected solely for the understanding of individual needs, indicating a substantial correlation between this aspect of empathy and honesty in communication. This suggests that a deep comprehension of individual needs plays a pivotal role in fostering honest communication practices within startup environments. However, the non-significant p-values for other empathy-related factors underscore the need for further exploration to elucidate their potential impact on communication honesty within startup contexts.

**H0: There is no significant relationship between ‘Commitment to social responsible’ and Open communication channels.**

**H1: There is a significant relationship between ‘Commitment to social responsible’ and Open communication channels.**

In the context of commitment to social response and open communication channel conversation, the current study sought to examine the association between commitment to social response and open communication channel to get information. The study's premise proposed a substantial correlation between user commitment to social response and open communication channel. The age of the employee is important when the family day. A sample of individuals between the ages of 18 and 35 was selected based on the Startup work experience for information gatherings. The observed value and the anticipated result are compared using the chi square test. Assume that the P value is 0.05.

**Case Processing Summary**

Cases					
Valid		Missing		Total	
	Per		Per		Per
Percent		N	cent	N	cent

Do you perceive startup leaders as committed to social responsibility initiatives and ethical business practices? * Do you feel that there are open communication channels between leadership and employees in our organization?	21	10	0	0.0%	1	0.0%
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Do you perceive startup leaders as committed to social responsibility initiatives and ethical business practices? \* Do you feel that there are open communication channels between leadership and employees in our organization?

**Crosstabulation**

**Count**

	Do you feel that there are open communication channels between leadership and employees in our organization?					
	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree	

Do you strongly Disagree	0	0	1	5	5	1
perceive startup leaders as Disagree	1	5	3	13	12	4
committed to agree	0	1	13	24	22	0
social responsibility al	1	1	15	41	16	4
initiatives and	0	0	4	7	21	2
ethical business_e	2	7	36	90	76	11
practices?						
Strongly Agree						
Total						

**Chi-Square Tests**

	Value	df	Asymp. Sig. (2-sided)
Pearson Chi-Square	40.611 <sup>a</sup>	16	.001
Likelihood Ratio	36.665	16	.002
Linear-by-Linear Association	1.801	1	.180
N of Valid Cases	211		

a. 13 cells (52.0%) have expected count less than 5. The minimum expected count is .10.



The table shows that chi square significant at 5% significance level. The Pearson Chi-square value is greater than P value i.e. 0.05. The Null hypothesis is accepted and alternative hypothesis is rejected so there is no relationship between 'commitment to social response and open communication channel'.

## **Findings and Suggestions**

### **Findings**

The research project findings unveil noteworthy insights into leadership dynamics and communication practices within startup environments. Gender significantly influences integrity leadership, as evidenced by ANOVA analysis, indicating correlations between gender and fairness, accountability, ethical decision-making, respect for confidentiality, and commitment to social responsibility. Conversely, regression analysis highlights the importance of understanding individual needs for fostering honest communication and empathy. While active listening, support during difficult times, recognition of emotions, and empathetic decision-making lack significance, deep comprehension of individual needs correlates significantly with empathy. However, chi-square analysis reveals no relationship between commitment to social response and open communication channels. These findings underscore the nuanced interplay between gender, integrity, and communication within startup cultures.

### **Suggestions**

For the variables showing no relationship, there are several avenues for improvement and future research. Considering the ANOVA analysis findings, where no significant relationship was found between 'commitment to social response' and 'open communication channel', it's essential to

explore potential mitigating factors or contextual nuances that may influence this relationship. One suggestion is to conduct qualitative research to delve deeper into the specific mechanisms or barriers that hinder the establishment of open communication channels despite a commitment to social response. Additionally, building on the regression analysis insights, further investigation into the non-significant empathy-related factors such as active listening, support during difficult times, recognition of emotions, and empathetic decision-making could provide valuable insights into the intricacies of communication dynamics within startup environments. This may involve employing alternative methodologies or refining measurement instruments to capture subtle nuances in communication behaviors. Ultimately, by delving deeper into these areas, researchers can gain a more comprehensive understanding of the complex interplay between integrity leadership, communication practices, and organizational culture within startup contexts, thereby informing strategies for fostering inclusive and effective leadership and communication practices in burgeoning enterprises.

## **Conclusion**

The culmination of this research project offers profound insights into the intricate tapestry of leadership dynamics and communication practices within startup ecosystems. Our findings underscore the profound influence of gender on integrity leadership, revealing significant correlations with fairness, accountability, ethical decision-making, respect for confidentiality, and commitment to social responsibility. Moreover, the emphasis on understanding individual needs emerges as a crucial element for fostering genuine communication and empathy within these environments. However, the absence of a discernible relationship between commitment to social response and open communication channels highlights areas ripe for further exploration.

Suggestions for future research include qualitative inquiries to unravel contextual nuances hindering communication channels despite social response commitments, and deeper investigations into empathy-related factors to uncover subtle dynamics shaping communication behaviors. By delving into these avenues, we aim to illuminate the complex interplay between integrity leadership, communication practices, and organizational culture in startups, paving the way for strategies that cultivate inclusive and effective leadership and communication in burgeoning enterprises.

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