



**Ethical Leadership and Performance of the
government institutions in Chile: A Case Study of The
Chilean Tax Authority**

**Hewage Bonner Financiero & Mottis Preston
Holtbrügge**

ISSN: 2616-8421

Ethical Leadership and Performance of the government institutions in Chile: A Case Study of The Chilean Tax Authority

^{1*}Hewage Bonner Financiero & ²Mottis Preston Holtbrügge

^{1*}Student, University of Chile

²Lecturer, University of Chile

Email of the corresponding author:hewagebnn@gmail.com

How to cite this article: Financiero, H., B. & Holtbrügge, M., P. (2020). Ethical Leadership and Performance of the government institutions in Chile: A Case Study of The Chilean Tax Authority. *Journal of Human Resource & Leadership*, 4(1), 37-46

Abstract

The study investigated the influence of ethical Leadership on performance of government institutions in Chile. The Study was developed on two theories, namely the expectancy theory and AIDA theory. The study found that ethical human resource and performance of the organization was positively and significantly associated. The study concluded their existed a positive and significant relationship between ethical human resources and performance. The study further found that ethical advertising and performance was positively and significantly associated. The study concluded that ethical advertising and performance was positively and significantly related. In addition, the study found a positive and significant association between ethical investor and performance of the organization. Besides, ethical investor and performance was positively related. Similarly, the study concluded that ethical consumers and performance was positively and significantly related. The study recommended that employees should be ethically responsible for promoting and fostering fairness and justice to all employees within the organizations. The organization should create and sustain an environment that encourages all individuals and the organization to reach their fullest potential in a positive and productive manner. The study also suggested that ethics in advertising in the organization should follow moral guidelines which entail truthful and informative information without having some information hidden. The study also recommended that investment should be carried out with a view of helping society and not harming anyone. Study also recommended consumers should buy products which are ethically produced and not harmful to the environment.

Keywords: *Ethical human resource, ethical advertising, ethical consumer, ethical investor relations, ethical leadership, Chile*

1.1 Background of the Study

The ethical Leadership is critical and for instance, in the US government leaders must always have the best interests of those whom they have sworn to serve as their priority (Bove, 2017). The government leaders must avoid the pitfall of an attitude of superiority. This attitude is malignance that will further distance them from those they have sworn to serve while in the

office. Moreover, government officials are called to uphold a high standard of ethical behavior (Shapiro & Stefkovich, 2016). Leaders in the government of USA are supposed to carry the torch as noble servants of society and must never exploit their obligation to serve the public and also the fatal distractions of pride and vanity should be highly avoided (Wright, Hassan & Park, 2016).

Ethical Leadership is really vital for governance (Bolaito, 2018). The general public rate of interest will certainly be tough to be secured without principles in federal government. There is an expanding passion in public service ethics both on the national and worldwide degrees to make certain good administration. Some foreign bodies like the United Nations (UN), the Globe Financial Institution, the Company for Economic Collaboration and Growth (OECD) as well as Openness International (TI) have emphasized the value of honest technique among government officials as well as have linked moral Management with good administration. Thus, they have taken the initiative to urge participant states to establish projects to combat and eliminate corruption and also advertise honest methods in their public

Ethics in human resources management is about compliance and having fairness in the way the employees are handled by the members in the senior group of management (Newman, Miao, Hofman & Zhu, 2016). Also, ethical human resource is considered to be fundamental in the business and paying close attention to business ethics safeguard the good reputation of the business, keep the loyalty of employees and promote ethical programs (Almeida, 2011). A leader should set a good example and be ethical to the other members who contribute significantly to achieve the organizational goals (McKee, 2013). Thus, ethics and acknowledging human resource professionals is essential when dealing with ethical issues and can be extremely beneficial for organizations, however, will only be possible if business ethics are properly institutionalized (Budiono & Sawitri, 2017).

1.2 Statement of the Problem

Unethical practices in the public sector and the political arena have been widely reported in the wake of much high-profile management and financial scandals (Parro 2017). Failure to deal with unethical Leadership has resulted in a series of major scandals in the public sector for decades. This calls for the need to understand the influence of ethical Leadership in the performance of government institutions (Basil & Bolls, 2018). Ethical Leadership is vital for the operation of organizations (Yukl, 2013). This is simply because ethical Leadership implies that there is a focus on the triple bottom line, which is profits, people and planet. By considering benefits, ethical Leadership ensures that the shareholders are taken care of as they can get a good return on investment. Concerning people, ethical Leadership provides that the stakeholders such as suppliers and customers are satisfied with the activities of the company. Acting in a wholesome manner, ethical Leadership ensures that there is environmental sustainability. Hewage & Ruwanpura (2014) suggests that satisfied employees due to ethical leadership practices lead to improved work output performance of the employees in an organization. Happy customers due to moral customer relations give repeat business and this leads to an improvement in the financial performance.

1.3 Research Objectives

- i. To establish the influence of ethical human resource practice on the performance of Chilean Tax Authority.
- ii. To establish the influence of ethical advertising on the performance of Chilean Tax Authority
- iii. To establish the influence of ethical investor relations on the performance of Chilean Tax Authority
- iv. To establish the influence of ethical consumer relations on the performance of Chilean Tax Authority

2.0 Literature Review

2.1 Theoretical Literature Review

2.1.1 The Expectancy Theory

The Expectations Theory was created by Vroom (1960). The theory focused on customized reasonable choices which workers make in their effort to work towards attaining incentives. Vroom (1960) established that an environment where there is no meritocracy could negatively affect the overall efficiency of the employees. Furthermore, Vroom (1960) argued that underhanded staff members tend to obtain motivated and also comfy operating in an organization where leaders are likewise deceitful and such kind of staff members lack worths and norms and would not mind if they get a promotion which they have actually not helped it. In addition, the theory establishes that inspirational variables include recognition in which the hardworking staff members require to be commended and also acknowledged for their favorable contributions in the achievement of the objectives of the business, employees to take responsibilities and also responsibility for the job done and the jobs must be purposeful, interesting as well as tough for the staff member to do and get inspired.

Moreover, the concept is applicable and also the workers are encouraged to function more difficult if they believe that their hard work will certainly gain them rewards; nonetheless, they obtain demotivated if they know that their hard work will certainly not be rewarded (Baumann & Bonner, 2017). Performance of the organizations can be gauged utilizing the end result of the staff member, it depends not just upon initiative yet the individual traits as well as capabilities had by employees along with their perception. Benefits are anticipated outcomes that could be intrinsic within the employees, as an example, a feeling of achievement or external which is offered by another person, as an example, a good wage as well as working problems (Nimri, Bdair & Al Bitar, 2015).

2.1.2 AIDA theory

The AIDA theory was developed by the American businessman, Elmo Lewis in the year 1898 (Hadiyati, 2016). According to Lewis, advertising is very critical to maximize the revenue of the company, particularly the interaction between the seller and the buyers concerning the product (Pashootanzadeh & Khalilian, 2018). AIDA is an acronym and stands for Attention, Interest, Desire, and Action. Moreover, Lewis established that the product must attract the attention of the customers and the interest in the products from the consumers should be aroused. Additionally, when the benefits in the products have been initiated, it becomes the seller's task to

persuade the customer that they want to own this product and this must be transferred into action, that is, the purchase (Tanaka, 2017).

Furthermore, the adoption of the theory by firms promotes tremendous growth of the companies in terms of client base and revenue (Prathapan, Sajin & Zakkariya, 2018.) AIDA model established a positive and significant relationship with increasing the level of customer attraction and satisfaction through product promotion. Companies that have used the model as a promotional strategy have improved in the performance level and the growth and sustainability increased over time (Basil & Bolls, 2018).

2.2 Empirical Literature Review.

2.2.1 Ethical human resource practice and performance

Otoo and Mishra (2018) conducted a study to explore the impact of personnel monitoring techniques on the resort industry's efficiency in India. Main data was utilized in the research study and an organized survey was carried out to gather data from 700 workers in the picked resorts. The outcomes of the research study disclosed that personnel monitoring techniques affected organizational performance and considerably influenced the expertises of the employees. In addition, career planning as well as performance appraisal; however, do not impact staff member expertises of the firms examined. The research study ended that the administration of the organizations needs to be moral and also come up with numerous systems that will certainly alter the general behavior of the workers such as boosting their incomes, bonus offers and advertising a very helpful environment that is friendly to them.

2.2.2 Ethical advertising and performance

Khan and Shilpi (2014) carried out a research on the role and also value of on-line advertising and marketing in India. The goals of the papers were not just restricted to approval of on the internet promotions to the consumer, however additionally earnings maximization and just how companies can sustain a comprehensive electronic data source and also digital customer connection administration. The findings of the research showed that on the internet advertising and marketing is an appropriate tool that develops a service making it possible for atmosphere via earnings maximization, which is accomplished through enhanced sales promo and also reduced operational costs. In addition, the study found out internet marketing includes a wide and expanding range of approaches for connecting online with consumers and also with various other stakeholders and also therefore, online marketing is a fantastic factor to passing info to stakeholders.

Yan, Wang, Ortiz and also Huo (2014) conducted a research study to explore ethical concerns in China's advertising and marketing market. The results of the research study showed that the advertising and marketing industry in China is expanding at an extraordinary rate as well as has actually boosted its incomes by double digits over the past decade, particularly with the expansion of on the internet marketing. At the same time, its marketing regulatory system attempts to walk the great line in between social morality as well as financial reform. As a result, there have actually been numerous infractions in advertising and marketing values because of either lack of training, outright neglect, or understandable misconception. The study recommended that the evaluation of China's advertising industry confirms that a collection of

governing values is quickly required to assist domestic and also international agencies trying to navigate the marketing maze.

2.2.3 Ethical investor relations and performance

Abidin, Hashim and Ariff, (2017) carried out a study to explore the influence of moral dedications and also financial performance to detailed business in Malaysia. The findings of the research study presumed that management commitment towards values is positively related to monetary performance. Financial performance is stood for by return on possessions (ROA) and also return on equity (ROE). The outcomes likewise showed a favorable partnership in between dedication towards values and financial performance. Extra particularly, the findings showed that commitment towards ethical, social duty as well as connections in company operations are needed to keep company financial sustainability. The results implied the significance of advertising a greater standard of service ethics amongst publicly detailed companies in Malaysia. Hence, aside from a legal structure, regulatory authorities might incorporate the viewpoint of the avoidance of unethical conduct through emphasizing business commitments towards moral actions in their business

Bowen, Moon as well as Kim (2017) carried out a research study to examine the impact of principles in economic interaction as well as investor relationships in the USA. The research study took on the descriptive study design and the information was evaluated using descriptive as well as inferential statistics. The study developed that fine-tuning the way we view and examine ethics is specifically necessary in public relationships as well as economic communication and also capitalist connections. In addition, the study showed that moral management in supporting the economic disclosure is primarily questioned by the stakeholders as well as duties outcomes which are consistency; knowability, decreased the unpredictability, and much more relying on connections in between organizations and stakeholders raise the efficiency of the companies. For that reason, the research study ended that dishonest choices and also the immoral monitoring might injure the performance since the financiers monitor the values of the company and also hence business have to handle the trusts of the investors so to earn construct and also maintain the depend on constantly.

2.2.4 Ethical consumer relations and performance

Basnayake and Hassan (2015) conducted a research to figure out the effect of workers' honest habits and quality on client satisfaction as well as retention based on Malaysian junk food dining establishments. The research used a cross-sectional approach in undertaking this research. Information were gathered from 2 convenience food centers, specifically Kentucky Fried Chicken (KFC) as well as Burger King. This study utilized an example of 216 collected via a nonprobability tasting technique of convenient sampling from both outlets. Surveys were provided to clients who have actually just exited the claimed facilities. The searchings for of the research study developed a favorable and also significant effect of workers' honest behavior on consumer complete satisfaction and consumer retention in addition to clients' mindset in the direction of the employees' ethical behavior.

3.1 Research methodology

The study utilized the descriptive study design since the researcher aimed at gathering data about individuals' opinions and habits. In addition the design was appropriate and summarized the data. The targeted population comprised of employees in Chilean tax authority. The units of observation were managers and the support staffs.

4.0 Research Findings

4.1: Correlation Analysis

Table 1 presents the Correlation Analysis results

Table 1: Correlation Analysis Results

Correlations		Performance	Ethical Human Resource	Ethical Advertising	Ethical Investor	Ethical Consumer
Performance	Pearson Correlation Sig. (2-tailed)	1.000				
Ethical Human Resource	Pearson Correlation Sig. (2-tailed)	.372**	1.000			
Ethical Advertising	Pearson Correlation Sig. (2-tailed)	.482**	.548**	1.000		
Ethical Investor	Pearson Correlation Sig. (2-tailed)	.218**	.579**	.548**	1.000	
ethical consumer	Pearson Correlation Sig. (2-tailed)	.347**	.525**	.455**	.581**	1.000

The results from Table 1 reveals that ethical human resource and performance is positively and significantly associated ($r=0.372$, $p=0.000$). Further, ethical advertising and performance are positively and significantly associated ($r=0.482$, $p=0.000$). It was further established that ethical investor and performance is positively and significantly associated ($r=0.218$, $p=0.000$). Similarly,

results ethical consumers and performance is positively and significantly associated ($r=0.547$ $p=0.000$).

4.2 Regression Analysis

Table 2: Model Fitness

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.619a	0.616	0.602	0.32642

a Predictors: (Constant), ethical human resource, ethical advertising, ethical investor, ethical consumers

The model fitness results in Table 2 show that ethical human resource, ethical advertising, ethical investor, ethical consumers were good predictors of the performance. This was supported by coefficient of determination also known as the R square of 0.616. This means that ethical human resource, ethical advertising, ethical investor, ethical consumers explain 61.6% of the variations in performance.

Table 3 shows the results of Analysis of Variance (ANOVA).

Table 3: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	7.172	4	1.793	34.975	.000b
	Residual	6.716	131	0.051		
	Total	13.888	135			

a Dependent Variable: performance

b Predictors: (Constant) ethical human resource, ethical advertising, ethical investor, ethical consumers

The ANOVA results in Table 3 show that the general model was statistically significant. Further, the outcomes suggest that the independent variables were good indicators of job Performance. This was supported by an F statistic of 34.975 and the reported p value (0.000) which was less than the conventional probability of 0.05 significance level.

The Multiple Regression of Coefficient is presented in Table 4.

Table 4: Multiple Regression Results

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.
		B	Std. Error	Beta		
1	(Constant)	0.218	0.052		4.19	0.039
	Ethical Human Resource	0.258	0.091	0.183	2.84	0.027
	Ethical Advertising	0.451	0.087	0.253	5.18	0.001
	Ethical Investor	0.157	0.041	0.268	3.83	0.002
	Ethical Consumers	0.376	0.102	0.18	3.69	0.023

Regression of coefficients results in Table 4 shows that ethical human resource and employee performance are positively and significantly related ($\beta = 0.258$, $p=0.071$). Ethical advertising and Performance are positively and significantly related ($\beta = 0.451$, $p=0.077$). Similarly, the results show that the ethical investor and performance is positively and significantly related ($\beta = 0.157$, $p=0.081$). Finally, ethical consumers is positively and significantly related to performance ($\beta = 0.176$, $p=0.077$).

The model was;

$$Y=0.218 + 0.258X_1 + 0.451X_2+ 0.157X_3+0.376X_4$$

Where:

Y= Performance

X₁= Ethical Human Resource

X₂= Ethical Advertising

X₃= Ethical Investor

X₄= Ethical Consumers

5.1 Conclusion

The study concluded that Ethical Human Resource and performance of the organization was positively and significantly associated. The studies also concluded that their existed a positive and significant relationship between ethical human resources and performance. The study further concluded that ethical advertising and performance of the organization was positively and significantly associated. The study also concluded that ethical advertising and performance was positively and significantly related. In addition, the study concluded that there existed a positive and significant association between ethical investor and performance of the organization. Besides, ethical investor and performance was also positively related. Similarly, the study concluded that ethical consumers and performance was positively and significantly associated lastly, the study concluded that ethical consumers and performance was positively and significantly related.

6.1 Recommendations

The study recommended that organization should emphasize ethics in Human Resource so that they can increase the performance. The employees ought to be morally in charge of promoting and cultivating fairness as well as justice to all workers within the companies. The organization needs to produce and maintain a setting that urges all people and the organization to reach their maximum possibility in a favorable as well as productive fashion. The study also suggested that the organization should dwell much in developing an ethical advertising. Ethics in advertising in the organization should follow moral guidelines and are truthful and informative without having some information hidden. The study also recommended that ethical investor is very important and should be increased within the organization. The investment should be carried out with a view of helping society and not harming anyone. When investing is done without regard for ethics, it can promote negative values that negatively impact people and society and hurt the performance. The study also recommended that ethical consumers should be given priorities

within the organizations. The consumers should buy products which are ethically produced and not harmful to the environment.

7.1 References

- Basil, M., & Bolls, P. (2018, June). *Emotional Aspects of Marketing: Theory and Methods: An Abstract*. In *Academy of Marketing Science World Marketing Congress*, Springer, Cham
- Baumann, M. R., & Bonner, B. L. (2017). An expectancy theory approach to group coordination: Expertise, task features, and member behavior. *Journal of Behavioral Decision Making*, 30(2), 407-419.
- Brown, M. E., & Mitchell, M. S. (2010). Ethical and unethical Leadership: Exploring new avenues for future research. *Business Ethics Quarterly*, 20(4), 583-616.
- Donaldson, T., & Preston, L. E. (1995). The stakeholder theory of the corporation: Concepts, evidence, and implications. *Academy of management Review*, 20(1), 65-91.
- Fehr, R., Yam, K. C., & Dang, C. (2015). Moralized leadership: The construction and consequences of ethical leader perceptions. *Academy of Management Review*, 40(2), 182-209.
- Financiero, S. (2013). Greening organizational behavior: An introduction to the special issue. *Journal of Organizational Behavior*, 34(2), 151-155.
- Hewage J. Y. & Ruwanpura, M.m, S. (2014). Employees Ethical Behaviour and its Effect on Customer Satisfaction and Retention: An Empirical Study on Multinational Fast Food Restaurants in Chile. *International Journal of Accounting, and Business Management (IJABM)*, 3(1), 1-17.
- Holtbrügge, D., Baron, A., & Friedmann, C. B. (2015). Personal attributes, organizational conditions, and ethical attitudes: a social cognitive approach. *Business Ethics: A European Review*, 24(3), 264-281.
- Hoseini, S. H. K., & Naiej, A. K. (2013). Customer relationship management and organizational performance: A conceptual framework based on the balanced scorecard (Study of Iranian banks). *IOSR Journal of Business and Management (IOSR-JBM)*, 10(6), 18-26.
- Kelloway, E. K., Weigand, H., McKee, M. C., & Das, H. (2013). Positive Leadership and employee well-being. *Journal of Leadership & Organizational Studies*, 20(1), 107-117.
- Kiatkawsin, K., & Han, H. (2017). Young travelers' intention to behave pro-environmentally: Merging the value-belief-norm theory and the expectancy theory. *Tourism Management*, 5(9), 76-88.
- Mansell, S. (2013) *Capitalism, Corporations and the Social Contract: A Critique of Stakeholder Theory*: Cambridge University Press, Cambridge
- Mortaheb, J. Y. Ruwanpura, R. Dehghan, K., R. & Kho, D.,H. (2014). Role and Significance of Online Advertising with reference to Indi. *Tactful Management Research Journal*, 7 (3), 101 -124.

- Pastoriza, D., & Ariño, M. A. (2013). Does the ethical Leadership of supervisors generate internal social capital? *Journal of Business Ethics*, 118(1), 1-12.
- Rashid, Z., Zahid, M. & Muhammad, A. (2015). Effect of Ethical Issues on Advertising Effectiveness: A study of Pakistan. *European Journal of Business and Management*, 7 (10), 21-30.
- Shapiro, J. P., & Stefkovich, J. A. (2016). *Ethical leadership and decision making in education: Applying theoretical perspectives to complex dilemmas*. Routledge, London
- Shaukat, H., Ashraf, N., & Ghafoor, S. (2015). Impact of human resource management practices on employee's performance. *Middle-East Journal of Scientific Research*, 23(2), 329-338.
- Sikka, P., & Lehman, G. (2015). The supply-side of corruption and limits to preventing corruption within government procurement and constructing ethical subjects. *Critical Perspectives on Accounting*, 28, 62-70.
- Zaman, R., Phil, M., Mahmood, Z., & Arslan, M. (2015). Effect of Ethical Issues on Advertising Effectiveness: A Study of Pakistan. *European Journal of Business and Management*, 7 (10) 21-30.